
























Consolidated Annual Financial Statements



for the year ended 30 June 2007

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Certification by the Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages 25 to 93 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



K.D. KEKANA
CITY MANAGER

30 September 2007



Municipal Entities

A. ENTITIES CONSOLIDATED

Consistent with the prior two financial years the following municipal entities were included in the consolidated financial statements:

Housing Company Tshwane
Sandspruit Works Association (ODI and Waste Water)
Civirelo Water
Enterprise South Africa (last statements 30 June 2005 – voluntary liquidation certificate dated February 2006)
Trade Point Pretoria (not viable – liquidation underway)
Roodeplaat Temba Water Services Trust

Tshwane Centre for Business Information and Support (Cenbis) – *Statements were not compiled and submitted up to date of submission of these consolidated financial statements. Liquidation process to be undertaken.*

The budgets of the abovementioned entities were not consolidated as most of the budgets were not available.

B. ENTITIES NOT CONSOLIDATED

Deregistration of municipal entities:

The following companies have been deregistered in Government Gazette No 29773 of 13 April 2007:

Biz Africa 372	Centurion Community Protection Company
Prelight	Tswaing Crater Museum
Greater Pretoria Metro Festival Company	Tswaing Water and Sanitation Services
Tswaing Environmental Health Services	Moreletakloof Conservation Company
Pretoria Inner City Association	Tswaing Civil Projects
Tswaing Waste Removal Services	Rep Ba-Agi
National Youth Festival	Greater Pretoria Metro Festival
Jacaranda Carnival	

Error in listing as municipal entity

The following companies were erroneously listed as municipal entities under the control of the City of Tshwane Metropolitan Municipality; their status will be left as is in the interim, as the Gauteng Legislature is in the process of finalizing legislation for uniform regulation of all City Improvement Districts:

Arcadia City Improvement District	Kerkstreet City Improvement District
Hatfield City Improvement District	Esselen Street City Improvement District

The following company was erroneously listed as a municipal entity under the control of the City of Tshwane Metropolitan Municipality whilst it was never incorporated – the error will be corrected with the new section 178(2) report of municipal entities:

- Tshwane Sport Foundation



Report of the Auditor-General to the Council and The Gauteng Provincial Legislature on the Group Financial Statements and Performance Information of The City of Tshwane Metropolitan Municipality for the Year Ended 30 June 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the City of Tshwane Metropolitan Municipality (CTMM) which comprise the consolidated statement of financial position as at 30 June 2007, consolidated statement of financial performance, consolidated statement of changes in net assets and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 93.

Responsibility of the accounting officer for the financial statements

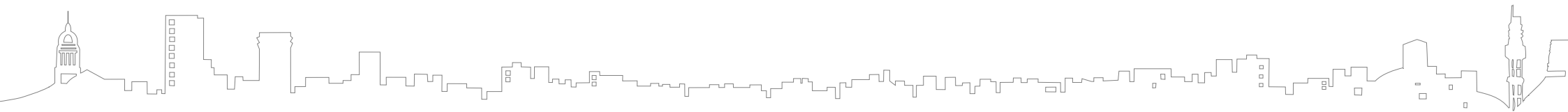
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the CTMM in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The metropolitan municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.



Basis for qualified opinion

10. Property, plant and equipment

As previously reported in paragraph 4.2 of the 2005/06 audit report, the CTMM implemented a comprehensive property, plant and equipment register, and a position paper was approved by the council to take advantage of the transitional arrangements in *GAMAP 17 Property, Plant and Equipment*. The CTMM is still busy purifying the data in the property, plant and equipment register, as disclosed in note 9 to the financial statements.

However, I identified the following shortcoming relating to property, plant and equipment:

- Due to the current status of the property plant and equipment register, I was unable to perform all the procedures I considered necessary on the property, plant and equipment acquired before 1 July 2004 amounting to R1 334 million which is recorded as a globular and/or capital ledger figure classification within the register. For this property, plant and equipment, I was unable to evaluate the existence, rights and obligations, completeness, valuation (only land and buildings) and allocation as required by *GAMAP 17*.
- The CTMM has expensed property, plant and equipment that has a purchase value of less or equal to R100 000. For the year under review it is estimated that the value of this property, plant and equipment is at least R49 million. If this property, plant and equipment is capitalised it would increase the value of property, plant and equipment and decrease expenditure with the amount. Furthermore, depreciation will be calculated over the useful life as determined by the accounting policy and the amount will be expensed as depreciation and the carrying amount will decrease with that amount of property, plant and equipment. The depreciation amount and the effect on the net surplus could not be determined.

The current status of the property, plant and equipment register of the CTMM did not permit the application of alternative audit procedures regarding the above items.

11. Creditors

GRAP 1 Presentation of Financial Statements paragraph 30 requires that an entity should prepare its financial statements, except for cash flow information using the accrual basis of accounting. This requires that the effects of transactions are recognised when they occur. The CTMM did not accrue an amount of approximately R40 million for invoices and goods or services received before year-end. As a result of unadjusted errors relating to transactions not being included, the amount disclosed for expenditure and creditors in the financial statements is understated. Sufficient internal controls were also not in place, as individual creditors' reconciliations were not performed for all creditors.

12. Material losses as well as irregular or fruitless and wasteful expenditure

Sufficient appropriate audit evidence could not be obtained to confirm the completeness, accuracy, allocation, presentation and disclosure of material losses, irregular or fruitless and wasteful expenditure and any criminal or disciplinary steps taken as required by section 125(2)(d)(i) and (ii) of the MFMA. No reasonable alternative audit procedures could be performed to quantify the material losses as well as the irregular or fruitless and wasteful expenditure.

13. Provision for rehabilitation of landfill sites

The provision for the final rehabilitation of landfill sites amounting to at least R57 million was not raised as required by *GAMAP 19 Provisions, Contingent Liabilities and Contingent Assets*.

14. Assessment rates and property values disclosed

The CTMM is currently still in the process of following up and reconciling the valuation roll and the valuation roll values with the relevant billing system regarding assessment rates. There were no satisfactory alternative audit procedures that could be performed to obtain reasonable assurance that all assessment rates had been properly recorded and that the site values included in note 18 to the financial statements are fairly stated. Consequently, I was unable to satisfy myself as to the completeness, occurrence and accuracy of the assessment rates income as well as site values as on 30 June 2007, totalling R1,719 billion and R21,333 billion, respectively.

15. Regional services council (RSC) levies

I was unable to obtain sufficient appropriate audit evidence on the completeness, accuracy and occurrence and existence on the RSC levy debtors and income totalling R236 million and R102 million, respectively. This was due to the two systems, namely the subsystem (Unix) and the accounting system (SAP), not matching with regards to payments received. Furthermore monthly differences are not followed up for correction. The unreconciled Unix RSC debtor balance for the 2007 year was used as a 2006 final closing balance, which had a material impact on the RSC Income for the 2006 as well as a provision for bad debts.



Qualified opinion

16. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the City of Tshwane Metropolitan Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters:

17. Significant uncertainty

17.1 Municipal entity: Housing Company Tshwane

The audit opinion of the Housing Company Tshwane was disclaimed. As a result of the disclaimer no assurance could be given on the items consolidated into the financial statements.

17.2 Short-term portion of arrangement debtors

The council failed to disclose the short-term portion of arrangement debtors as a current asset. In terms of the requirement of IAS 1 *Presentation of Financial Statements*, amounts receivable within one year must be disclosed separately and not included in long-term receivables. Although the short-term portion debtors exist I was unable to clearly establish the amount of the short-term portion of arrangement debtors, as the council did not provide this information.

17.3 Grants and subsidies paid

I was unable to verify the occurrence and accuracy of grants and subsidies paid amounting to R8 million as disclosed in note 26 to the financial statements. The supporting information to this matter could not be provided at the date of this report. No alternative audit procedures could be performed.

17.4 Samrand Development (Pty) Ltd

Included in note 12 to the financial statements is an amount of R18,152 million outstanding in respect of Samrand Development (Pty) Ltd. The CTMM has for some years tried, and is still currently trying to resolve the payment of this amount. The outcome of the matter can presently not be reasonably established, and no provision for this debt has been made.

18. Basis of accounting

As set out in accounting policy note 1 Basis of presentation, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms for *Government Notice 522 of 2007* issued in *Government Gazette 30013 of 29 June 2007*.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

19. Non-compliance with applicable legislation

19.1 Local Government: Municipal Finance Management Act

Certain tender files did not have copies of tenderers financial statements, details of the municipal rates owed to the municipality, copies of tax clearance certificates and details of the respective tender advertisements as required by the supply chain management policy of the CTMM, This in turn resulted to non-compliance with section 111 of the MFMA.



19.2 Property Valuers Profession Act

Supervisors did not perform a timeous and consistent review on the work done by the valuation officers, as per the provisions of section 19(3) of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000), mainly due to fact that there was a backlog and the section was understaffed.

19.3 National Credit Act

Sections 40 to 42 of the National Credit Act, 2005 (Act No. 34 of 2005) were not complied with, as the CTMM could not provide evidence that it was registered with the National Credit Regulator, although the CTMM provided interest-bearing loans exceeding the R500 000 threshold. For more detail on the loans refer to note 12 to the financial statements.

20. Matters of governance

20.1 Audit committees

For the period 1 July to 27 September 2007 the CTMM did not have an audit committee as required by section 166(1) of the MFMA. This resulted in the audit committee not being in a position to review the financial statements to be submitted to the Auditor-General as required by section 126 of the MFMA.

For the municipal entities under the control of the CTMM, a functioning governance structure and process for an audit committee also did not exist, as required by section 166 of the MFMA.

20.2 Internal audit

A functioning system of internal audit did not exist during the year under review for any the municipal entities of the CTMM, as required by section 165 of the MFMA.

21. Material corrections made to the financial statements submitted for audit

The financial statements, approved by the accounting officer and submitted for audit purposes on 31 August 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- 21.1 Proper provisions for RSC levies were not made due to subsequent additional information received from the South African Revenue Service (SARS) in respect of levy payers not registered for RSC levies resulting in a understatement of RSC levies income and debtors to the amount of R236 729 088. A correction for an amount of R236 729 088 was effected. Furthermore, a provision for an amount of R53 868 841 for RSC levies was also effected.
- 21.2 An amount of R139 935 286 in respect of short-term loans was not separately disclosed in the financial statements. The short term loan liability was therefore understated and the long-term loan overstated.
- 21.3 Intangible assets to the value of R125 348 933 were not separately disclosed, but included in components of property, plant and equipment.

22. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management as well as internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component as indicated.



Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for qualification					
Property, Plant and Equipment	✓		✓	✓	✓
Creditors			✓	✓	
Material losses, irregular or fruitless and wasteful expenditure			✓		
Provision for rehabilitation of landfill sites			✓		
Assessment, Rates and property values disclosed			✓	✓	
Regional Services Council (RSC) Levies			✓	✓	
Emphasis of matter					
Municipal Entities	✓		✓		
Short term arrangement debtors			✓		
Grants and subsidies paid			✓	✓	
Basis of accounting			✓		
Other matters					
Non compliance with applicable legislation			✓		
Matters of governance			✓		
Material corrections of the financial statements			✓		



Information system controls and communication: general control and SAP R/3 baseline and authorisation review.

The most significant weaknesses identified during a general control review were the following:

- Logical security controls were inadequate.
- Duties were ineffectively segregated due to the developer, and basis and system administrators having access to security administration functions.
- A large number of users (174) had been granted access to modify tables that had been customised but not assigned to specific authorisation groups. A number of users also had access to maintain client-independent tables in the production environment.
- Change control was ineffective as the developer had access to the production environment, which allowed the developer to customise, correct and transport a system. Change control documents were not always signed off at the appropriate level of management before and after implementation.
- Users were allowed access to sensitive and high-risk transactions, which resulted in users being able to perform conflicting transactions on the system.

23. Investigations in progress or completed

Various investigations are currently in progress within the CTMM, in conjunction with the internal audit division and various departmental heads. The investigations covered a wide range of activities of the CTMM and were still ongoing at the date of this report and the effect therefore on the financial statements is unknown.

24. Unaudited supplementary schedules

The supplementary information set out on pages XX to XX does from part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

25. I have audited the performance information as set out on pages [XX] to [XX].

Responsibilities of the accounting officer

26. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

27. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

28. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

29. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

30. Performance information report not received in time

I was not able to complete an evaluation of the quality of the reported performance information as set out on pages [xx] to [xx] of the annual report, since the information was not received in time.

30. Internal auditing of performance information

Not all the quarterly reports were audited by the internal audit division of the CTMM in the financial year under review as required by section 45 of the MSA.



32. Performance audit committee

The performance audit committee did not review all the quarterly reports during the financial year under review as the functions of the performance audit committee were not clearly defined.

33. Inadequate or lack of policies and procedures

The policies and procedures relating to the performance management system did not in all instances include all laws and regulations applicable to the performance management system. Examples of laws and regulations not included in the policies and procedures are the following:

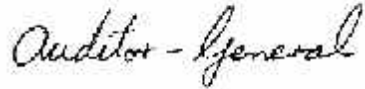
- Section 44 of the MSA requiring that the targets set by the municipality must be made known internally and to the general public.
- Regulation 6 of the Performance Planning and Performance Management Regulations of 2001 requiring the allocation of resources in the municipal annual budget based on the development priorities and objectives as well as the performance targets set by the municipality.

34. Non-compliance with laws and regulations

Section 46 of the MSA was not adhered to when preparing the quarterly performance reports of the CTMM, as performance was not compared to the targets set or the performances in the previous financial year. Measures taken to improve performance were also not included in the quarterly reports.

APPRECIATION

35. The assistance rendered by the staff of the CoT during the audit is sincerely appreciated.



Pretoria

21 December 2007



AUDITOR-GENERAL



Report of The Chief Financial Officer

1. INTRODUCTION

The City of Tshwane (CoT) has since its establishment on 5 December 2000, grown into a dynamic institution dedicated to giving effect to government policy through efficient and effective planning, service delivery and prudent financial management.

In the 2005/06 year the City still faced huge challenges relating to the provision of services to all its communities, however, the 2006 – 2009 MTREF will ensure that the City stay on track and deliver with even greater urgency to address the needs of the community.

After the elections on 1 March 2006, the City of Tshwane entered a second term of service delivery that will require higher levels of performance linked to a developmental approach in terms of service delivery.

Committed to the vision and imperatives of National government to address the service delivery backlogs and to comply with the MFMA, the City of Tshwane developed a five-year strategic plan that is aligned with the five-year term of office of the newly elected political leadership as well as the City Development Strategy (CDS). The five strategic objectives in the five-year plan are:

- To provide quality basic services and infrastructure throughout the city
- To ensure accelerated shared and higher local economic growth and development
- To fight poverty and build clean, healthy, safe and sustainable communities
- To foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
- To ensure good governance, financial viability, build institutional capacity and optimize transformation with the administration having the capacity to execute its mandate.

This five-year strategic plan and program of action are the foundation of the City of Tshwane's five-year business plan that forms the basis of the 2006/07 MTREF. A key requirement for economic success for the CoT is not only the public investment made by the city in strategic economic infrastructure but also how the private sector and the community react through complementary investments. Our growth strategy seeks not only to increase the growth rate of the city but to translate this economic growth into job creation and other economic opportunities.

All the initiatives and programmes which were undertaken in 2006/07 could only be sustained as sound financial management and planning principles were applied.

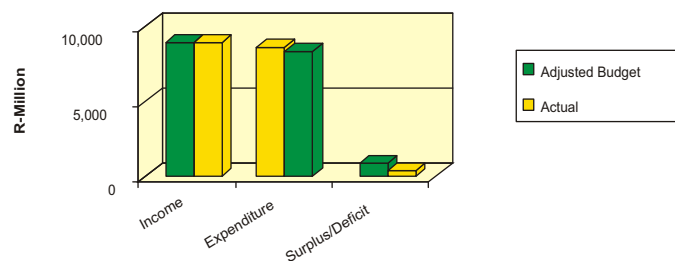
2. REVIEW OF OPERATING RESULTS

The 2006/07 budget of the City of Tshwane was approved by Council on 31 May 2006 and the Adjustments Budget was approved by Council on 25 January 2007. Figures with regard to the 2006/07 original budget as well as the adjusted budget of the parent municipality only are included in this report.

2.1 General

Details of the 2006/07 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below

OPERATING RESULTS 2006/07 (Municipality)



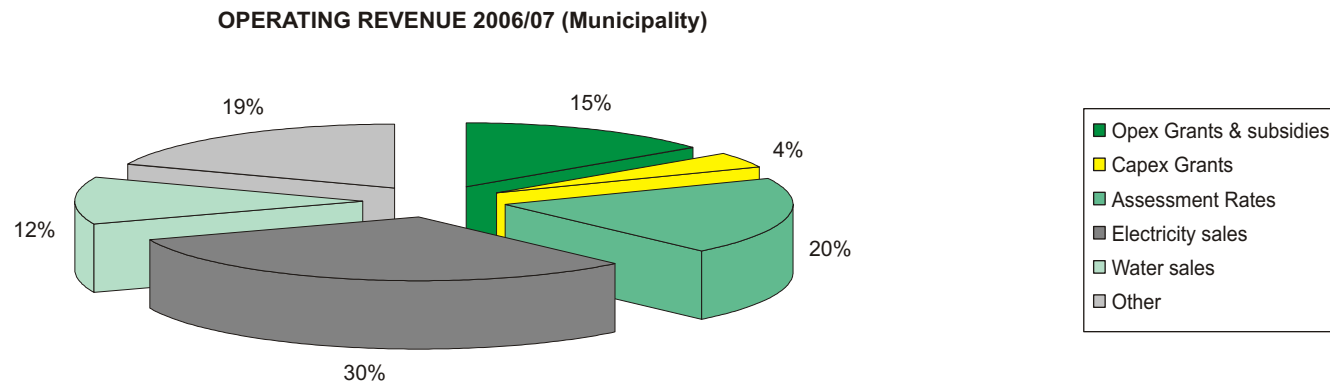
The overall operating results for the year ending 30 June 2007 are as follows:

Description	Original Budget 2007	Adjusted Budget 2007	Municipality Actual 2007	Group Actual 2007	Variance Actual/ Adjusted Budget	Municipality Actual 2006	Group Actual 2006
	R'000	R'000	R'000	R'000	%	R'000	R'000
REVENUE							
Accumulated surplus: Beginning of year			524,028	645,624		293,819	374,064
Operating revenue for the year	8,448,683	8,587,559	8,604,455	8,793,692	0,2	8,204,120	8,433,932
	8,448,683	8,587,559	9,128,483	9 439 316		8,497,939	8,807,996
EXPENDITURE							
Operating expenditure for the year	7,899,977	8,386,035	8,288,135	8,547,157	(1,2)	7,633,199	7,822,374
Sundry transfers	548,706	201,524	52,662	38,617		340,712	339,998
Accumulated surplus: End of year			787,686	853,542		524,028	645,624
	8,448,683	8,587,559	9,128,483	9 439 316		8,497,939	8,807,996

The actual net expenditure of the Municipality reflects an increase of 8,5 % (group = 9,3 %) while the actual revenue of the Municipality has increased by 4,9 % (group = 4,3 %) since 2006.

2.2 Operating Revenue

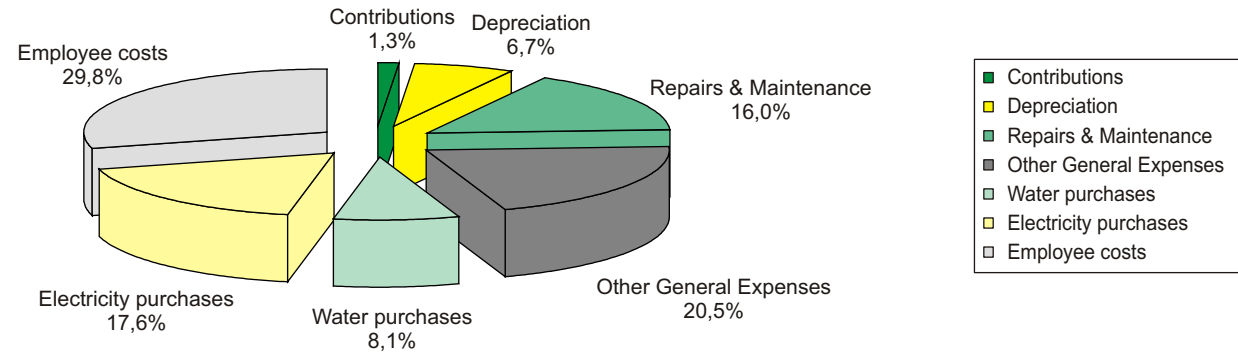
The following graph indicates a break down of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.

OPERATING EXPENDITURE 2006/07 (Municipality)



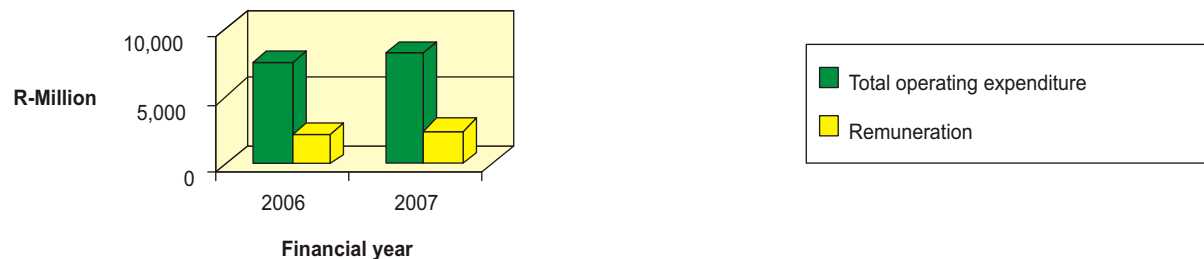
Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a slight increase from 28,30 % (group = 28,02 %) in 2005/06 to 29,10 % (group = 28,61 %) in 2006/07. According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive.

In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33 %.

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Total operating expenditure	8,288,135	8,547,157	7,633,199	7,822,374
Total operating revenue	8,604,455	8,793,692	8,204,120	8,433,932
Employee remuneration	2,412,004	2,445,747	2,160,602	2,191,596
Ratio: % of total expenditure	29,10 %	28,61 %	28,30 %	28,01 %
Ratio: % of total revenue	28,03 %	27,81 %	26,34 %	25,99 %
% Growth in remuneration	11,64 %	11,60 %	4,38 %	5,77 %

REMUNERATION vs OPERATING EXPENDITURE (Municipality)



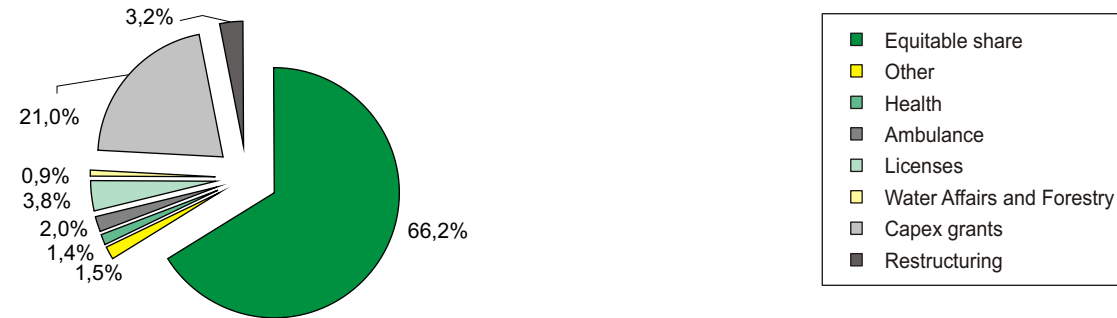
2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of contributions, grants and subsidies as well as the repayment of license fees from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Equitable share	* 1,002,650	1,002,650	261,870	261,870
Provincial Health Subsidy	21,499	21,499	10,912	10,912
Provincial Ambulance Subsidy	31,200	31,200	30,641	30,641
National Safety grant	419	419	757	757
Provincial Motor vehicle licenses refund	58,252	58,252	51,325	51,325
Capex: grants and donations	317,834	317,834	360,157	360,157
Opex: grants and donations	42,486	42,486	1,530	1,530
Finance Management Grant	2,118	2,118	2,956	2,956
Restructuring Grant	48,371	48,371	42,550	42,550
Department of Water Affairs and Forestry	14,265	14,265	2,150	18,071
IMEI grant	0	0	410	410
MSIG	2,000	2,000	0	0
Roodeplaat Temba Water Services Trust	25,000	0	20,000	0
Other	0	700	0	4,248
	1 566,094	1 541,794	785,258	785,427

* The large increase in equitable share allocation is due to the RSC levies being replaced after abolishment of these levies

GOVERNMENT GRANTS & SUBSIDIES 2006/07 (Municipality)



3. DEBTORS

Details regarding the debtors are provided in Note 12 (Long-term receivables), Note 14 (Consumer Debtors) and Note 15 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

The long-term receivables showed an increase of R78.101 million (22,6 %). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R77,534 million), an increase in housing loan debtors (increase of R5,767) and an increase in the sale of land (R5,665 million). The increase in housing loan debtors and land sale debtors are due to the sale of houses and vacant land on credit in terms of Council resolutions.

The abovementioned increases were counteracted by a decrease in motor car loans to officials (decrease of R12,302 million) due to the phasing out of these motor car loans.

In the group financial statements the loan to Botselo Water relates to the Sandspruit Municipal Entity. It is the amount owing to Sandspruit for the leave pay of personnel taken over from Botselo Water.

For the Municipality the consumer debtors increased in total with an amount of R186,871 million (6,3 %) and for the group the consumer debtors increased with R81,953 million (2,6 %). The increase in debt per customer classification is made up as follows:

Customer classification	Municipality		Group	
	Total R'000	Increase/(Decrease) R'000	Total R'000	Increase/(Decrease) R'000
Households	2,048,398	(55,927)	2,194,886	(160,845)
Industrial/Commercial	814,954	214,141	814,954	214,141
National and Provincial government	72,370	22,056	72,370	22,056
Other	210,818	6,601	210,818	6,601
Total	3,146,540	186,871	3,293,028	81,953

The increase can mainly be attributed to the number of new developments that are taking place in the City.

The increase in consumer debt per ageing analysis is as follows:

Age analysis group	Municipality		Group	
	Total R-Million	Increase/(Decrease) R-million	Total R-million	Increase/(Decrease) R-million
Current (0–30 days)	890,778	201,063	1,037,266	96,145
31 – 60 days	191,055	75,205	191,055	75,205
61 – 90 days	65,549	(28,093)	65,549	(28,093)
91 + days	1,999,158	(61,304)	1,999,158	(61,304)
Total	3,146,540	186,871	3,293,028	81,953

The Other Debtors (debtors other than Consumer debtors -see note 15 for detail) for the Municipality in total increased with an amount of R15,144 million (2,9 %). This can mainly be attributed to amounts paid in advance (Insurance premium). Other current debtors (other categories not shown separately in note 15) showed an increase of R48,033 million which can mainly be ascribed to an increase in sundry rentals and sundry year end debtors (year end accruals). This increase was counteracted by a decrease in the RSC levies debtor (R90,007 million decrease). For the group the other debtors in total decreased with an amount of R43,912 million (7,20 %).

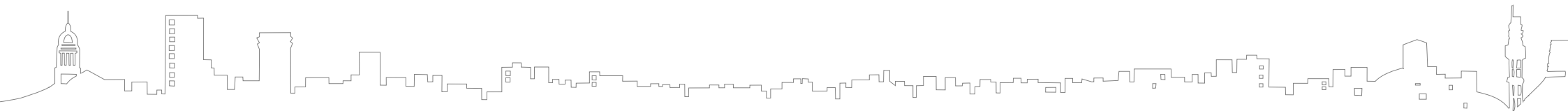
3.1 Consumer debtors

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Debits levied : Consumer debtors	5,920,710	5,991,373	5,498,619	5,577,326
Balance on 1 July	2,959,669	3,211,075	2,711,187	2,711,187
Balance on 30 June	3,146,540	3,293,028	2,959,669	3,211,075
Average balance	3,053,105	3,252,052	2,835,428	2,961,131
Turnover: Number of times (debits levied / average debtor balance)	1,94	1,84	1,94	1,88
Days	365	365	365	365
Turnover: Number of days	188	198	188	194

From the table it is clear that, although the number of days to recover debt remained unchanged on 188 days since 2005/06 for the Municipality, the outstanding consumer debt of the Municipality still is at unacceptable levels. This high turnover has serious implications on the cash flow of the Municipality.

A collection rate (for the Municipality only) calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy still produce positive results, even though the average collection rate declined slightly from 101% in 2005/06 to 98,3% during 2006/07.



4. CAPITAL EXPENDITURE AND FINANCING (only with regard to the Municipality)

The Municipality's original approved Capital Expenditure Budget for 2006/07 amounted to R1 724,767 million and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 25 January 2007 to R1 590,251 million in total.

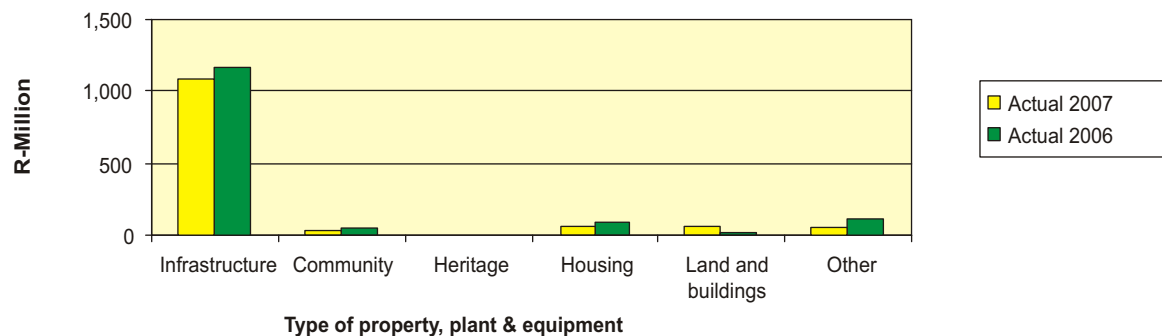
Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R1 365,844 million. The actual capital expenditure is 11,9 % less than the previous financial year, but only relates to a 85,9 % performance against the adjusted budget for 2006/07. The actual expenditure amounted to 79,2 % of the original budget.

The actual grant receipts for the 2006/07 financial year with regard to Housing projects was R140,472 million (top structures = R34,006 million) where as the actual capital expenditure on housing projects realised on R221,634 million (top structures = R135,329 million). Due to the fact that the external grant funding was not received the Municipality had to provide bridging finance for the Housing projects to the amount of R101,324 million from other sources, such as own cash or external loans.

Actual Capital expenditure according to asset class		
Type of Asset	Actual 2007 R	Actual 2006 R
Infrastructure	1,089,227,810	1,213,252,166
Community	35,857,650	56,778,541
Heritage	0	947,857
Housing	61,150,290	120,631,425
Land and buildings	120,966,020	12,879,273
Other	58,642,235	145,096,290
Total	1,365,844,005	1,549,585,552

The graph shows the distribution of the property, plant and equipment according to the type.

CAPITAL EXPENDITURE 2006/07 (Municipality)

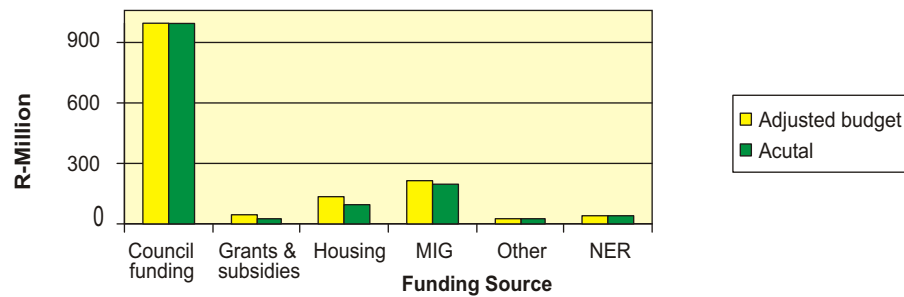


The above-mentioned property, plant and equipment were financed from the following sources:

Type of finance	Original Budget 2007	Adjusted Budget 2007	Actual 2007	Actual as % of Adjusted Budget 2007	Actual 2006
	R million	R million	R million	%	R million
Council funding	1,194,170	1,193,170	1,041,958	87	883,078
Provincial Grants and subsidies	20,100	25,707	17,377	68	35,560
Government Housing grant	273,723	130,000	86,304	66	373,051
Municipal Infrastructure Grant (MIG)	205,944	205,944	184,824	90	195,555
National Electricity Regulator (NER)	25,000	28,600	28,629	100	8,895
Other funding	5,830	6,830	6,752	99	53,447
Total	1,724,767	1,590,251	1,365,844	86	1,549,586

The following is a graphic presentation according to financing sources:

PROPERTY, PLANT & EQUIPMENT: FUNDING SOURCES 2006/07 (Municipality)



When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

The Municipality has minimal control over the commencement of projects funded from external funds, which are approved by that source and which must inevitably be included in the budget of the Municipality. It will typically include projects such as The Project Linked Housing Subsidy Scheme and the Municipal Infrastructure Grant.

5. ACCOUNTING RATIOS

5.1 Operating capital ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:



Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
CURRENT ASSETS:				
Cash	69,349	261,106	18,812	240,360
Inventory	165,944	209,738	108,466	124,747
Debtors	2,479,055	2,503,499	2,459,431	2,561,989
Investments	969,958	1,033,013	858,112	911,564
Short-term portion of long-term debtors	27,840	27,840	16,321	16,321
Total	3,712,146	4,035,196	3,461,142	3,854,981
CURRENT LIABILITIES:				
Creditors	2,099,438	2,248,157	2,000,998	2,168,759
Short-term portion of long-term liabilities	232,569	249,521	59,411	75,328
Deposits	257,579	257,579	236,092	236,092
Provisions	0	2,318	0	4,460
Overdrawn bank account	46,002	46,002	29,715	29,721
Total	2,635,588	2,803,577	2,326,216	2,514,360
Net Operating Capital	1,076,558	1,231,619	1,134,926	1,340,621
Operating Capital Ratio	1,41:1	1,44:1	1,49:1	1,53:1

For the Municipality the ratio decreased since 2005/06 from 1,49:1 to 1,41 :1. This is due to the fact that the current liabilities increased with 13,3 % whilst the current assets increased with only 7,3 %. The increase in current assets can mainly be ascribed to the increase in investments as well as an increase in inventory and debtors. The increase in current liabilities mainly lies with the increase in the short-term portion of long-term liabilities and an increase in the bank overdraft as well as increase in trade creditors and deposits.

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Current assets	3,712,146	4,035,196	3,461,142	3,854,981
Less: Inventory	165,944	209,738	108,466	124,747
Total	3,546,202	3,825,458	3,352,676	3,730,234
Current liabilities	2,635,588	2,803,577	2,326,216	2,514,361
Quick asset ratio	1,35:1	1,36:1	1,44:1	1,48:1

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
TOTAL ASSETS:				
Current assets	3,712,146	4,035,196	3,461,142	3,854,981
Long-term receivables	357,848	359,354	294,668	294,669
Property, plant and equipment	8,235,388	8,683,199	7,458,749	7,932,429
Biological assets	11,015	11,015	10,459	10,459
Total	12,316,397	13,088,764	11,225,018	12,092,538
TOTAL LIABILITIES:				
Current liabilities	2,635,588	2,803,577	2,326,216	2,514,360
Plus: Outstanding loans	2,602,026	3,137,492	2,138,733	2,680,339
Non-current provisions	5,263	5,263	2,869	2,869
Accumulated funds	6,285,833	6,288,888	6,233,172	6,249,345
Total	11,528,710	12,235,220	10,700,990	11,446,913
Solvability Ratio	1,07:1	1,07:1	1,05:1	1,06:1

The total assets of the Municipality increased with 9,7% while the total liabilities increased with only 7,7 % resulting in an increase in the solvability ratio as stated above. Property, plant and equipment of the municipality increased with 10,4 % (group = 9,5 %) while external loans increased with 21,7 % (group = 17,1 %) and the accumulated funds increased with 0,8 % (group = 0,6 %).

5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50 %. It is concerning to see that this ratio increased from 27,64 % to 30,17 % since June 2006. This increase can be ascribed to the increase in external loans of 21,7% and an increase of 8,4 % in total revenue.

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Total Debt	2,834,595	3,387,013	2,198,143	2,755,667
Total Revenue	8,604,455	8,793,692	8,204,120	8,433,932
Ratio	32,94 %	38,52 %	26,79 %	32,67 %

5.5 Inventory turnover (only with regard to Municipality)

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better. The standard however varies dramatically from industry to industry. A ratio of 2,5 times per year is considered acceptable for the large municipalities.

June 2007: 2,8 times per year
June 2006: 2,2 times per year

In 2005/06 the turnover of inventory increased (from 1,5 times per year in 2004/05) due to a moratorium that was placed on the purchase of inventory between October 2005 and May 2006. Departments had to use the inventory that was already in the stores and were not allowed to buy in directly. In 2006/07 the turnover of inventory increased mainly due to stock purchased for electricity projects to the value of R32,531 million, which were not used before 30 June 2007, as well as an increase in coal stock at the two power stations.

5.6 Overdraft (cashbook balance) plus short-term loans to total operating revenue

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Cashbook balance (overdraft)	46,002	46,002	29,715	29,721
Short-term loans	232,569	249,521	59,410	75,328
	278,571	295,523	89,125	105,049
Total Revenue	8,604,455	8,793,692	8,204,120	8,433,932
Ratio	3,23 %	3,36 %	1,09 %	1,25 %

According to credit rating companies, the benchmark is a ratio of less than 5 %.

5.7 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Cash Generated from operations (Nett cash Flow)	1,059,563	1,113,464	1,152,473	1,291,060
Interest paid on external loans	314,136	387,774	266,630	284,046
Ratio	3,37:1	2,87:1	4,32:1	4,54:1

For the Municipality the ratio shows a decrease from 4,32:1 to 3,37:1 as the interest paid on external loans increased with 17,8% and the cash generated from operations decreased with 8,1 % since 2005/06.

5.8 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years is as follows:

Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Long-term debt	2,834,595	3,387,013	2,198,143	2,755,667
Cash generated from operations	1,059,563	1,113,464	1,152,473	1,291,060
Ratio	2,68:1	3,04:1	1,91:1	2,13:1

The ratio shows an increase for the Municipality as the long-term debt increased with 28,9 % while the cash generated from operations decreased with 8,1 % since 2005/06.

5.9 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. The ratio for the past two financial years is as follows:

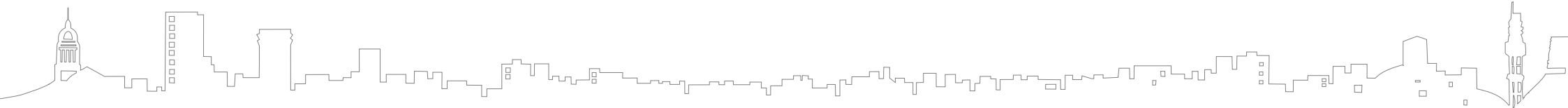
Description	2006/07		2005/06	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Increase/(Decrease) in long-term loans	636,453	631,346	277,201	479,973
Cash used for capital expenditure	1,335,222	1,349,145	1,549,586	1,687,970
Ratio	0,48:1	0,47:1	0,18:1	0,28:1

A ratio smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure.

6. CREDIT RATING

The firm Global Credit Ratings performed a credit rating of the Municipality during December 2006 (based on the annual financial statements for the year ending 30 June 2006) and the following rating was awarded to the City of (stable rating outlook):

- **Long term - A+ (single A plus);** *High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.*
- **Short term - A1 (single A one);** *Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.*



7. MUNICIPAL ENTITIES

The Department Legal and Secretarial Services were tasked with investigating the entities and making them compliant with relevant legislation. The entities that were incorporated prior to amalgamation of the erstwhile municipalities into the City of Tshwane Metropolitan Municipality were not controlled by the relevant departments as the case should have been. This situation brought about difficulties in the accountability of these entities towards the City of Tshwane.

The status of the Municipal entities is followed up on a continuous basis by the Department Legal and Secretarial Services.

7.1 Viable municipal entities

Of the entities evaluated the following were found to be viable and the process of restructuring them to be compliant with the Municipal Finance Management Act and the Local Government Systems Act is underway:

- Civirelo Water
- Sandspruit Works Association: Waste Water Treatment and ODI
- Housing Company Tshwane
- Roodeplaat Temba Water Services Trust
- Tshwane Economic Development Agency (newly created – not in full operation yet)

7.2 Entities not viable and liquidation process is underway

The following companies are not viable:

- Enterprise South Africa (liquidation finalised)
- Tradepoint Pretoria
- Tshwane Centre for Business Information and Support (Cenbis)
- Lebone Municipal Finance corporation

7.3 Deregistration of municipal entities

The following companies have been deregistered in Government Gazette No 29773 of 13 April 2007:

- Biz Africa 372
- Centurion Community Protection Company
- Prelight
- Tswaing Crater Museum
- Greater Pretoria Metro Festival Company
- Tswaing Water and Sanitation Services
- Tswaing Environmental Health Services
- Moreletakloof Conservation Company
- Pretoria Inner City Association
- Tswaing Civil Projects
- Tswaing Waste Removal Services
- Rep Ba-Agi
- National Youth Festival
- Greater Pretoria Metro Festival
- Jacaranda Carnival



7.4 Error in listing as municipal entity

The following companies were erroneously listed as municipal entities under the control of the City of Tshwane Metropolitan Municipality; their status will be left as is in the interim, as the Gauteng Legislature is in the process of finalizing legislation for uniform regulation of all City Improvement Districts:

- Arcadia City Improvement District
- Kerkstreet City Improvement District
- Hatfield City Improvement District
- Esselen Street City Improvement District

The following company was erroneously listed as a municipal entity under the control of the City of Tshwane Metropolitan Municipality whilst it was never incorporated the error will be corrected with the new section 178(2) report of municipal entities:

- Tshwane Sport Foundation

7.5 Consolidation of municipal entities

Consistent with the prior two financial years separate consolidated financial statements have been compiled for CoT and its operational municipal entities, namely:

- Housing Company Tshwane
- Sandspruit Works Association: Waste Water Treatment and ODI
- Civirelo Water
- Tshwane Centre for Business Information and Support (Cenbis)
- Enterprise South Africa (Final liquidation account was consolidated)
- Trade Point Pretoria
- Roodeplaat/Temba Water Services Trust

8. CHALLENGES EXPERIENCED DURING 2006/07

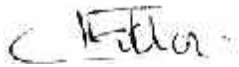
8.1 IMPLEMENTATION OF ACCOUNTING STANDARDS

The City of Tshwane experienced problems with the implementation of certain accounting standards and therefore had to make use of the Exemptions granted by National Treasury in Government Gazette No 30013 of 29 June 2007. Details of these exemptions are explained in paragraph 1 of the Consolidated Accounting Policies.

As required by the stipulations of the Government Gazette, implementation plans were drawn up and submitted to National Treasury during October 2007.

APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Officers for the support they have given me and my personnel during the 2006/07 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August) and the consolidated statements on 30 September 2007.



N.V. MAKHARI
CHIEF FINANCIAL OFFICER



Consolidated Accounting Policies for the Year Ended 30 June 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the Municipality are listed below:



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

Standard no.	Standard Title	Extent of exemption from standard	Exemption period
GRAP 3	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies [paragraph 14, 19 and 30-31]	For 2006/07 and 2007/08 financial years
GAMAP 17	Property, plant & equipment (PPE)	Review of useful life of items of PPE recognized in the annual financial statements [paragraph 59-61 and 77]	For 2006/07 and 2007/08 financial years
GAMAP 17	Property, plant & equipment (PPE)	Review of depreciation method applied to PPE recognized in the annual financial statements [paragraph 62 and 77]	For 2006/07 and 2007/08 financial years
		Impairment of non-cash generating assets [paragraph 64-69 and 75(e)(v)-(vi)]	
		Impairment of cash generating assets [paragraph 63 and 75(e)(v)-(vi)]	
IAS 36 (AC 128)	Impairment of assets	Entire standard	For 2006/07 and 2007/08 financial years
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	For 2006/07 and 2007/08 financial years
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality	
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	For 2006/07 and 2007/08 financial years
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard [paragraphs 79(e)(i) (iii)]	
IAS 17 (AC 105)	Leases	Recognising operating lease payments/receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraphs 8-11 and paragraphs 33, 34, 50, 51 of IAS 17 (AC 105)]	For 2006/07 and 2007/08 financial years
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32/AC 432) and all other costs are expensed	For 2006/07 and 2007/08 financial years



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

Standard no.	Standard Title	Extent of exemption from standard	Exemption period
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information [paragraphs 29, 48-119, 120A(c)- (q)]	For 2006/07 and 2007/08 financial years
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest (SAICA circular 09/06 and paragraph 12)	For 2006/07 and 2007/08 financial years
IAS 39 (AC 133)	Financial instruments: Recognition and measurement	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 70, AG 64 and AG 85 of IAS 39/AC 133)	For 2006/07 and 2007/08 financial years
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale [paragraphs 6 - 14, 15 - 29 (in so far as it relates to non-current assets held for sale), 39-42]	For 2006/07 and 2007/08 financial years
IFRS 7 (AC 144)	Financial instruments: Disclosure	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	For 2006/07 and 2007/08 financial years
IAS 14 (AC 115)	Segment reporting	Entire standard	For 2006/07 and 2007/08 financial years
IFRS 8 (AC 145)	Operating segments	Entire standard	For 2006/07 and 2007/08 financial years
IAS 11 (AC 109)	Construction contracts	Entire standard	For 2006/07 and 2007/08 financial years
IFRS 3 (AC 140)	Business combinations	Entire standard	For 2006/07 and 2007/08 financial years
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraph 24 and 26, paragraph 25 of GAMAP 17 and paragraphs 42-46 of GAMAP 9	For 2006/07 and 2007/08 financial years

The principle accounting policies adopted in the preparation of these consolidated annual financial statements and which have been consistently applied, except where an exemption has been granted are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

The annual financial statements of the municipal entities are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP).



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

2. BASIS OF CONSOLIDATION

Investments in associates, subsidiaries and joint ventures are carried at cost in the financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post-acquisition results of these investments.

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

The results of municipal entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other municipal entities included in the group.

3. PRESENTATION CURRENCY

These consolidated annual financial statements are presented in South African Rand and are rounded to the nearest rand.

4. GOING CONCERN ASSUMPTION

These consolidated annual financial statements have been prepared on a going concern basis, except for those municipal entities which are currently being liquidated.

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

5.1 Fixed assets are stated:

- At cost less accumulated depreciation, or
- At fair value (market value) at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Due to the exemptions granted on 29 June 2007 no impairment exercise was undertaken by the municipality.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

5.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives (unless a technical assessment of an individual asset concludes that a material variation is necessary):



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	20-30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30		
Security	5		
Leased assets	22		

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007 with regard to the review of the useful life of property, plant and equipment and the depreciation method.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

5.2.1 Heritage assets

These are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

5.2.2 Land

Land is not depreciated as it is regarded as having an infinite life.

5.2.3 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

5.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the carrying amount of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses.

Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

A gain or loss arising from a change in fair value is included in the Statement of Financial Performance for the period in which it arises.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years. The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007 to the extent that the property is accounted for under GAMAP 17.

7. INVENTORY

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

8. CREDITORS

8.1 Trade creditors

Trade creditors are stated at their nominal value.

8.2 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

9. RESERVES

The municipality creates and maintains Reserves in terms of specific requirements.

9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the Statement of Financial Performance to the Capital Replacement Reserve in terms of the implementation guidelines on GAMAP/GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the Statement of Financial Performance.

9.2 Capitalisation Reserve (CR)

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

9.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

9.4 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

- Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.
- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.

The Self Insurance Reserve is based on recognized insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self Insurance Reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self Insurance Reserve.
The following liabilities are taken into account in determining this surplus capacity:
 - o Reported known outstanding claims;
 - o Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
 - o Probability and quantification of a catastrophe loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self Insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a 5-year period.

9.4.1 Self Insurance Future Depreciation Reserve

An amount equal to the carrying value of items of property, plant and equipment that had historically been utilised for the acquisition of property, plant and equipment from the Self Insurance Reserve have been transferred to a Self Insurance Future Depreciation Reserve instead of the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Self Insurance Future Depreciation Reserve equals the carrying value of the items of property, plant and equipment financed from the former Self Insurance Reserve. When items of property, plant and equipment are depreciated, a transfer is made from the Self Insurance Future Depreciation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Self Insurance Future Depreciation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

9.5 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees.

Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve is based on 1 % of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R189 840 are reinsured by what is called a "COID Wrap Around" policy.

Claims are paid as determined by the Compensation Commissioner and are reflected in the Statement of Financial Performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

9.6 Donations and Public Contributions

Revenue received from donations and public contributions may be transferred to the Capital Replacement Reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

9.7 Capital Reserve Account

The Capital reserve account is to be created by the borrower and to be held in the capital reserve account for the payment of costs of upgrades, etc required by the Operating agreement.

The debt service reserve is to be created by the borrower and to be held in the debt service reserve account. If the required level is exceeded the excess can be deposited in the Distribution account. The amount in the account will be utilised for purposes of the repayment of the Term Loan.

9.8 Debt Service Reserve Account

The debt service reserve is to be created by the borrower and to be held in the debt service reserve account. If the required level is exceeded the excess can be deposited in the Distribution account. The amount in the account will be utilised for purposes of the repayment of the Term Loan.

9.9 Operating reserve account

The operating reserve is to be created by the borrower and be held in the operating reserve account for the payment of operating costs in respect of the Water project.

10. HOUSING DEVELOPMENT FUND

Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The Housing Fund has its own separate bank account/allocated investments and is backed by cash.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus/deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

11. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the provision can be made.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

11.1 Clearing of alien vegetation

Currently a backlog exists with regard to the clearing of alien vegetation and a provision was established with effect from the 2005/06 financial year. This provision will be phased in over a period of time.

11.2 Cleaning up of illegal dumping

Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

11.3 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. However, a provision only needs to be created if and when backlogs exist. Currently the Municipality is rehabilitating its landfill sites on an ongoing basis as part of maintenance and therefore there is no backlog rehabilitation that needs to take place. No provision is currently made for the rehabilitation of landfill sites.

12. RETIREMENT BENEFITS

12.1 Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various Pension, Provident and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis. The City of Tshwane accounted for pension funds in terms of the exemptions granted in Government Gazette No 30013 of 29 June 2007 where-in no provision was created but only the contributions disclosed.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors.

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

12.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The City of Tshwane accounted for medical aid in terms of the exemptions granted in Government Gazette No 30013 of 29 June 2007 where in no provision was created but only the contributions disclosed.

13. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

13.1 Provision for Bad Debt

Provision for bad debt is made by means of an annual contribution of electricity and water levies, debtor's revenue from Fire Brigade Services and Rentals excluding housing schemes and the Tshwane Market.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

The annual contribution is determined by calculating the estimated non payment by debtors for the financial year. The percentage contribution is calculated during the budget process each year and reviewed at year end.

14. LEASES

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the finance lease cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are charged against the Statement of Financial Performance on a straight-line basis over the period of the lease.

The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15. FINANCIAL INSTRUMENTS

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

A regular way purchase or sale of a financial asset shall be recognised and derecognised, as applicable using trade date accounting.

Hedging:

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

Offsetting of financial assets and liabilities:

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- (a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- (b) The City of Tshwane intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

Derecognition:

If a financial asset is transferred and this transfer qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, either a servicing asset or a servicing liability will be recognised for that servicing contract.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the obtaining of a new financial asset or assuming a new financial liability, or a servicing liability, the new financial asset, financial liability or servicing liability will be recognised at fair value.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

On derecognition of a financial asset in its entirety, the difference between:

- (a) the carrying amount and
- (b) sum of
 - (i) the consideration received (including any new asset obtained less any new liability assumed) and
 - (ii) any cumulative gain or loss,
 shall be recognised in profit or loss

Derivative financial instruments:

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. Payments and receipts under interest rate swap contracts are recognised in the statement of financial performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

Initial measurement of financial instruments is at cost, which is the fair value of the consideration given. The fair value is usually the transaction price or market price.

Transaction costs are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

Subsequent measurement of financial instruments:

HTM financial instruments originated by the entity and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

15.1 INVESTMENTS

The municipality may have the following types of investments.

- Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.
- Available-for-sale investments are those financial assets that are designated as available for sale or not classified as held-to-maturity investments or financial assets at fair value through profit or loss

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The Municipality limits its counterparty exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Investments are reviewed and approved by the Loans and Investment Advisory Committee.

15.2 INTEREST BEARING BORROWINGS

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings. The Municipality borrows more than 50 % of funds at a fixed rate to reduce the risk of interest fluctuations. Refer to Appendix A for details.

15.3 Investment in Municipal Entities

Municipality - Investments in municipal entities under the ownership control of the Municipality are carried at cost in the Municipality's unconsolidated annual financial statements.

Group - The results and assets and liabilities of municipal entities are incorporated in the group annual financial statements using the equity method of accounting.

Where the Municipality transacts with its municipal entities or its municipal entities transact with each other, unrealised gains and losses are eliminated to the extent of the Municipality's interest in the relevant municipal entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise control over the municipal entity, the equity method of accounting is discontinued. Such entity will either be accounted for as an associate, if the municipality is able to exercise significant influence, or an investment. The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

16. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade Creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

17. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably. The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007 with regard to the initial measurement of fair value at a discounted rate.

17.1 Revenue from exchange transactions

17.1.1 Service charges relating to Electricity, Water and Sanitation

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when invoiced.

Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

17.1.2 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and income is accrued when received. Revenue is recognized at point of sale.

17.1.3 Interest earned on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

17.1.4 Dividends

Dividends are recognised when the right to receive payment is established.

17.1.5 Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

17.1.6 Housing rental and instalments

Income in respect of housing rental and instalments are accrued monthly in advance.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

17.1.7 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

17.1.8 Interest earned on investments

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investment.

17.1.9 Collection charges

Collection charges are recognized when such amounts are incurred.

17.2 Revenue from non-exchange transactions

17.2.1 Revenue from rates

Revenue from rates is recognized when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

17.2.2 Regional Establishment Levy and Regional Services Levy

Regional establishment levies and regional services levies are recognised at the time of receipt of the RSC4 return submitted by all registered levy payers. Due to the reliable measurement of the amount and stage of completion of the transaction at the reporting date the income received from 1 July to 20 July of the following financial year will be accrued as income of the previous financial year. Although these levies were abolished with effect from 1 July 2006, revenue still received are recognised upon receipt.

17.2.3 Fines

Revenue from the issuing of fines shall be recognised when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- (b) the amount of the revenue can be measured reliably, and
- (c) the stage of completion of the transaction at the reporting date can be measured reliably.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

Therefore:

- (i) Income in respect of traffic fines, spot fines and certain licenses is accrued when received.
- (ii) Revenue from the issuing of summonses is only recognised when notified by the public prosecutor of the amount actually collected.

17.2.4 Donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

17.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

18. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met. The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

19. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance, except for the Roodeplaat Temba Water Services Trust where the borrowing costs are capitalised.

20. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

21. SEGMENTAL INFORMATION

The City of Tshwane adopted the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure.

The primary basis is representative of the internal structure for both budgeting and management purposes.

The secondary basis classifies all operations based on the classification of income and expenditure.

22. GRANTS-IN-AID

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.



Consolidated Accounting Policies for the Year Ended 30 June 2007 (continued)

23. AGRICULTURAL/BIOLOGICAL ASSETS

Agricultural/biological assets, which are defined as living animals or plants are recognised on the Statement of Financial Position of the Municipality, if the Municipality:

- Controls the asset as a result of a past event
- Regards the inflow of future economic benefits from the use of the asset to be probable.
- Is able to measure the fair value of the asset reliably. This implies that an active market has to exist for the agricultural asset

Agricultural/biological assets are measured at fair value at each year end reporting date, less estimated point-of-sale costs.

24. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

25. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. IRREGULAR EXPENDITURE

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

28. COMPARATIVE INFORMATION

28.1 Current year comparatives

Budgeted amounts have been included in the consolidated annual financial statements for the current financial year in respect of the municipality only.

28.2 Prior year comparatives

When the presentation or classification of items in the consolidated annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

The comparative figures (2005/06 accounting policies and disclosure) may not be consistent with the current year accounting policies and disclosures due to the application of the exemptions granted in Government Gazette No 30013 dated 29 June 2007.

29. TAXATION

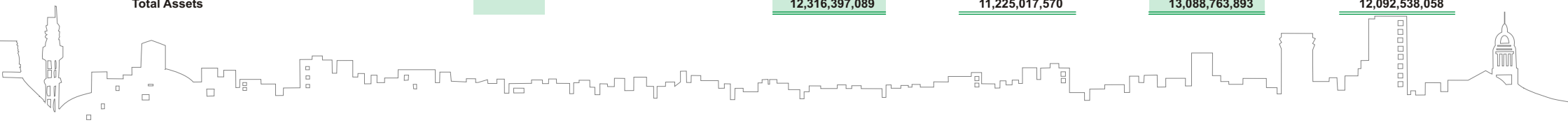
The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.



Statement of Financial Position

Consolidated Statement of Financial Position for year ended 30 June 2007

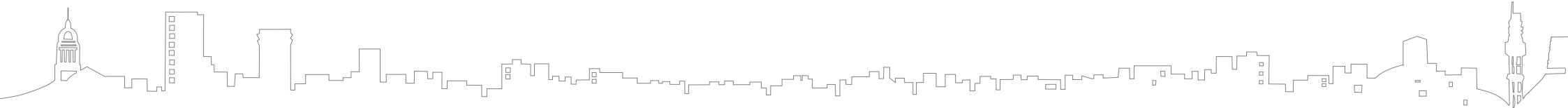
	Note	MUNICIPALITY		GROUP	
		June 2007	June 2006	June 2007	June 2006
		R	R	R	R
NET ASSETS AND LIABILITIES					
Net Assets		7,073,519,015	6,757,199,386	7,142,430,727	6,894,969,133
Housing Development Fund	1	141,152,353	150,463,875	141,152,353	150,463,875
Capital replacement reserve		501,152,806	357,857,950	501,152,806	357,857,950
Capitalisation reserve		2,008,028,104	2,177,575,289	2,008,028,104	2,177,575,289
Government grant reserve		3,506,835,333	3,348,292,166	3,509,888,886	3,351,244,661
Self insurance reserve		65,637,380	128,555,010	65,637,380	128,555,010
COVID reserve		62,694,963	70,050,967	62,694,963	70,050,967
Future depreciation reserve: Self insurance		332,487	376,331	332,487	376,331
Non-Distributable Reserve		0	0	0	13,219,924
Donations		0	0	1,200	1,200
Unappropriated surplus		787,685,589	524,027,798	853,542,548	645,623,926
Non-current liabilities		2,607,289,615	2,141,601,649	3,142,755,344	2,683,208,082
Long-term liabilities	2	2,602,026,465	2,138,732,424	3,137,492,194	2,680,338,857
Clearing of Alien vegetation	3	5,263,150	2,869,225	5,263,150	2,869,225
Current liabilities		2,635,588,459	2,326,216,535	2,803,577,822	2,514,360,843
Consumer deposits	5	257,579,090	236,092,389	257,579,090	236,092,389
Creditors	6	1,830,232,854	1,657,716,136	1,975,895,703	1,802,447,040
Unspent conditional grants and receipts	7	210,990,931	176,499,862	210,990,931	176,499,862
VAT	8	58,214,444	166,782,350	61,270,221	189,812,626
Bank overdraft	16	46,002,138	29,715,301	46,002,138	29,721,144
Provisions	4	0	0	2,318,467	4,459,530
Current portion of long-term liabilities	2	232,569,002	59,410,497	249,521,272	75,328,252
Total Net Assets and Liabilities		12,316,397,089	11,225,017,570	13,088,763,893	12,092,538,058
ASSETS					
Non-current assets					
Property, plant and equipment	9	8,107,967,858	7,258,937,075	8,548,290,030	7,725,125,960
Investment Property	9.6	2,069,866	1,678,026	9,560,523	9,168,683
Intangible assets	9.7	125,348,933	198,133,925	125,348,933	198,133,925
Biological Assets: Livestock	10	11,014,558	10,458,980	11,014,558	10,458,980
Investments	11	411,283,908	482,542,837	418,075,178	535,992,829
Long-term receivables	12	357,848,009	294,668,524	359,354,060	294,668,524
Current assets		3,300,863,957	2,978,598,203	3,617,120,611	3,318,989,157
Inventory	13	165,944,195	108,465,581	209,737,781	124,747,457
Consumer debtors	14	2,044,386,698	1,985,934,178	2,047,011,821	1,999,566,163
Other debtors	14	434,668,931	473,496,368	456,486,840	562,423,325
Current portion of long-term receivables	12	27,840,367	16,320,964	27,840,367	16,320,964
Call investment deposits	11 & 16	558,674,497	375,568,880	614,937,475	375,570,877
Bank balances and cash	17	69,349,269	18,812,232	261,106,327	240,360,371
Total Assets		12,316,397,089	11,225,017,570	13,088,763,893	12,092,538,058



Statement of Financial Performance

Consolidated Statement of Financial Performance for year ended 30 June 2007

DESCRIPTION	MUNICIPALITY					GROUP			
	Note	2007		2006		2007		2006	
		Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget	Actual	Adjustment budget
	R	R	R	R	R	R	R	R	
REVENUE									
Property rates	18	1,719,224,465	1,735,113,478	1,624,061,411	1,553,500,000	1,719,158,593	1,735,113,478	1,624,061,411	1,553,500,000
Service charges	19	4,201,485,187	4,246,657,264	3,874,557,374	3,927,000,000	4,272,214,160	4,246,657,264	3,953,264,956	3,927,000,000
Regional Services Levies - turnover		0	16,000,000	615,438,946	400,000,000	(38,135)	16,000,000	614,845,390	400,000,000
Regional Services Levies - remuneration		0	0	280,130,907	180,000,000	0	0	280,130,907	180,000,000
Rental of facilities and equipment		70,027,787	56,193,546	57,845,796	47,656,617	84,451,009	56,193,546	65,318,263	47,656,617
Interest earned - external investments		134,186,955	47,942,050	103,544,892	40,421,000	154,277,171	47,942,050	113,798,238	40,421,000
Interest earned - outstanding debtors		142,516,022	137,007,800	50,335,097	120,000,000	155,842,736	137,007,800	72,187,793	120,000,000
Fines (traffic fines)		38,389,834	42,742,689	22,896,150	45,060,000	38,389,834	42,742,689	22,896,150	45,060,000
Licences and permits		21,816,684	34,297,845	19,712,738	24,182,580	21,816,684	34,297,845	19,712,738	24,182,580
Government grants and subsidies	20	1,566,093,641	1,749,343,822	785,258,061	1,610,343,679	1,541,794,233	1,749,343,822	785,427,554	1,610,343,679
Other income	21	523,676,893	457,747,540	591,213,956	370,394,742	618,748,440	457,747,540	703,163,633	370,394,742
Public contributions		165,566,509	50,012,825	146,433,866	69,000,000	165,566,509	50,012,825	146,433,866	69,000,000
Gains on disposal of property, plant and equipment		20,915,400	14,500,000	12,992,300	0	20,915,400	14,500,000	12,992,300	0
Gain: Changes in fair value of livestock	10	555,578	0	10,458,980	0	555,578	0	10,458,980	0
Gains on disposal of investment		0	0	9,239,965	0	0	0	9,239,965	0
TOTAL REVENUE		8,604,454,955	8,587,558,859	8,204,120,439	8,387,558,618	8,793,692,212	8,587,558,859	8,433,932,144	8,387,558,618
EXPENDITURE									
Employee related costs	22	2,412,004,372	2,551,422,155	2,160,602,277	2,340,229,068	2,445,747,160	2,551,422,155	2,191,596,373	2,340,229,068
Remuneration of Councillors	23	45,946,048	46,762,692	34,795,326	36,219,283	45,946,048	46,762,692	34,795,326	36,219,283
Bad debts: contribution		106,752,294	106,649,267	163,427,961	128,160,811	114,705,781	106,649,267	163,427,961	128,160,811
Bad debts: written off - consumer & sundry debtors		86,736,741	0	169,512,894	0	86,736,741	0	223,121,894	0
Collection costs		49,538,121	50,669,138	47,409,666	47,037,274	49,538,121	50,669,138	47,409,666	47,037,274
Depreciation		558,584,032	592,729,286	509,425,753	515,238,852	598,373,961	592,729,286	534,010,119	515,238,852
Interest paid	24	314,136,306	345,899,657	266,630,167	297,000,000	387,774,358	345,899,657	284,046,441	297,000,000
Bulk purchases	25	2,130,979,261	1,989,821,178	1,853,026,444	1,854,880,000	2,136,832,836	1,989,821,178	1,828,614,565	1,854,880,000
Repairs and maintenance	42	727,352,320	674,906,579	674,270,199	425,437,435	731,219,500	674,906,579	677,048,665	425,437,435
Grants and subsidies paid	26	8,392,257	11,634,800	10,225,682	10,560,000	8,392,257	11,634,800	10,297,629	10,560,000
Loss on disposal of property, plant and equipment		9,915,217	5,525,863	0	0	9,917,937	5,525,863	0	0
General expenses		1,837,798,359	2,010,014,816	1,743,872,341	1,829,805,777	1,931,972,128	2,010,014,816	1,828,005,088	1,829,805,777
TOTAL EXPENDITURE		8,288,135,328	8,386,035,431	7,633,198,710	7,484,568,500	8,547,156,828	8,386,035,431	7,822,373,727	7,484,568,500
Net Surplus for the year		316,319,627	201,523,428	570,921,729	902,990,118	246,535,384	201,523,428	611,558,417	902,990,118
Refer to Appendix E for the comparison with the approved budget									



Statement of Changes in Net Assets - Parent

Statement of Changes in Net Assets for year ended 30 June 2007 - Parent

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID Reserve	Self Insurance Reserve	Self Insurance: FDR	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
2006									
Balance at 1 July 2005	115,769,796	294,729,858	2,096,886,592	3,135,576,175	64,980,064	184,096,536	420,175	293,818,461	6,186,277,657
Net surplus for the year								315,352,113	315,352,113
Prior year adjustments (see note 41)								255,569,616	255,569,616
Asset purification/retirements			(3,714,660)	(11,682,409)				15,397,069	0
Property, plant & equipment purchased		(302,183,695)	302,183,695	360,156,571				(360,156,571)	360,156,571
Capital grants used to purchase PPE (revenue recognised)								(5,070,903)	(360,156,571)
Contribution: Workmens Compensation (from employees)					5,070,903			195,092	0
Transfer from Housing Development Fund	(195,092)							(5,070,903)	0
Transfer to Housing Development Fund	34,889,171							195,092	0
Transfer from Insurance Reserve						(50,446,212)		(34,889,171)	0
Transfer to Capital replacement reserve (Tshwane Market)		19,946,098						50,446,212	0
Transfer to Capital replacement reserve : General		181,084,046						(19,946,098)	0
Transfer to Capital replacement reserve (public contributions)		159,186,329						(181,084,046)	0
Transfer to Capital replacement reserve: Insurance replacement		5,095,314				(5,095,314)		(159,186,329)	0
Offsetting of depreciation			(217,780,338)	(135,758,171)			(43,844)	353,582,353	0
Balance at 30 June 2006	150,463,875	357,857,950	2,177,575,289	3,348,292,166	70,050,967	128,555,010	376,331	524,027,798	6,757,199,386
2007									
Net surplus for the year								316,319,629	316,319,629
Asset purification/retirements			(6,162,391)	(20,056,037)				26,218,428	0
Property, plant & equipment purchased: Capitalised		(94,508,184)	94,508,184	317,833,940				(317,833,940)	0
Capital grants used to purchase PPE (revenue recognised)								7,356,004	0
Contribution: Workmens Compensation (from employees)					(7,356,004)			9,311,522	0
Transfer from Housing Development Fund	(9,311,522)							0	0
Transfer to Housing Development Fund								0	0
Transfer from Insurance Reserve						(62,917,630)		62,917,630	0
Transfer to Capital replacement reserve (Tshwane Market)		28,367,158						(28,367,158)	0
Transfer to Capital replacement reserve : General		209,435,882						(209,435,882)	0
Offsetting of depreciation			(257,892,978)	(139,234,736)		0	(43,844)	397,171,558	0
Balance at 30 June 2007	141,152,353	501,152,806	2,008,028,104	3,506,835,333	62,694,963	65,637,380	332,487	787,685,589	7,073,519,015

The accumulated surplus of R787 685 589 is earmarked by the City of Tshwane (parent) to be used in 2007/08 for the Provision for Employee benefits to comply with the accounting standard as prescribed

Note: Capitalisation Reserve

The handling of the Capitalisation Reserve differs from the guidelines of National Treasury as indicated in the specimen financial statements in the sense that:

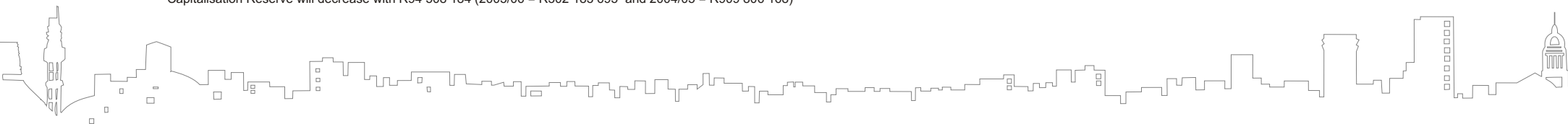
- * The amount used to finance property, plant and equipment from the Capital Replacement Reserve since the implementation of GAMAP is not transferred to the Accumulated surplus, but to the Capitalisation Reserve

The reasons for this deviation are the following:

- * To offset future depreciation charges via a transfer from the reserve to prevent double taxation of ratepayers
- * To prevent distortion of the accumulated surplus which could possibly lead to utilisation other than the offsetting of depreciation
- * An accumulated surplus are not used to finance deficits on future budgets as a result of depreciation charges
- * The financing and offsetting of depreciation of property, plant and equipment financed from the Capital Replacement Reserve should be treated the same as property, plant and equipment financed from the Government Grant Reserve

The effect on the financial statements would be the following if the guidelines of National Treasury were followed:

- * Accumulated surplus will increase with R94 508 184 (2005/06 =R302 183 695 and 2004/05 = R 909 806 168)
- * Capitalisation Reserve will decrease with R94 508 184 (2005/06 = R302 183 695 and 2004/05 = R909 806 168)



Statement of Changes in Net Assets - Group

Statement of Changes in Net Assets for year ended 30 June 2007 - Group

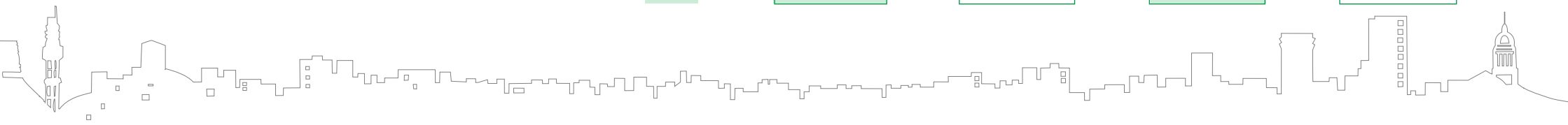
	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	COID reserve	Self Insurance Reserve	Self Insurance: Future Depreciation Reserve	Roodeplaat Temba Water Services Trust: Debt Service Reserve	Roodeplaat Temba Water Services Trust: Statutory Donations Fund	Housing Company Tshwane: Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R	R
2006												
Balance at 1 July 2005	115,769,796	294,729,858	2,096,886,592	3,135,576,175	64,980,064	184,096,536	420,175	13,219,924	1,200	3,053,553	374,063,627	6,282,797,500
Net surplus for the year											355,988,801	355,988,801
Prior year adjustments (see note 41)											255,569,616	255,569,616
Sandspruit ODI Accumulated surplus 30 June 2005											714,274	714,274
Transfer to Reserves - entities										(101,058)	0	(101,058)
Asset purification/retirements			(3,714,660)	(11,682,409)							15,397,069	0
Property, plant & equipment purchased		(302,183,695)	302,183,695	360,156,571								360,156,571
Capital grants used to purchase PPE (revenue recognised)											(360,156,571)	(360,156,571)
Contribution: Workmens Compensation (from employees)					5,070,903						(5,070,903)	0
Transfer from Housing Development Fund	(195,092)										195,092	0
Transfer to Housing Development Fund	34,889,171										(34,889,171)	0
Transfer from Insurance Reserve						(50,446,212)					50,446,212	0
Transfer to Capital replacement reserve (Tshwane Market)		19,946,098									(19,946,098)	0
Transfer to Capital replacement reserve		181,084,046									(181,084,046)	0
Transfer to Capital replacement reserve (public contributions)		159,186,329									(159,186,329)	0
Transfer to Capital replacement reserve		5,095,314				(5,095,314)						0
Offsetting of depreciation			(217,780,338)	(135,758,171)			(43,844)				353,582,353	0
Balance at 30 June 2006	150,463,875	357,857,950	2,177,575,289	3,348,292,166	70,050,967	128,555,010	376,331	13,219,924	1,200	2,952,495	645,623,926	6,894,969,133
2007												
Net surplus for the year											246,535,384	246,535,384
Correction of previous year accumulated surplus: entities											926,210	926,210
Correction of errors previous years (audit adjustments- entities)								(13,219,924)		101,058	13,118,866	0
Asset purification/retirements			(6,162,391)	(20,056,037)							26,218,428	0
Property, plant & equipment capitalised		(94,508,184)	94,508,184									0
Capital grants used to purchase PPE (revenue recognised)				317,833,940							(317,833,940)	0
Contribution: Workmens Compensation (from employees)					(7,356,004)						7,356,004	0
Transfer from Housing Development Fund	(9,311,522)										9,311,522	0
Transfer from Insurance Reserve						(62,917,630)					62,917,630	0
Transfer to Capital replacement reserve (Tshwane Market)		28,367,158									(28,367,158)	0
Transfer to Capital replacement reserve : General		209,435,882									(209,435,882)	0
Offsetting of depreciation			(257,892,978)	(139,234,736)			(43,844)				397,171,558	0
Balance at 30 June 2007	141,152,353	501,152,806	2,008,028,104	3,506,835,333	62,694,963	65,637,380	332,487	0	1,200	3,053,553	853,542,548	7,142,430,727



Cash Flow Statement

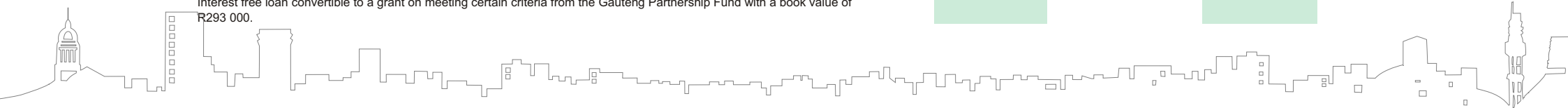
Cash Flow statement for year ended 30 June 2007

	Note	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		8,250,794,113	7,880,427,088	8,675,983,601	8,040,847,579
Cash paid to suppliers and employees		(7,191,230,665)	(6,727,953,848)	(7,562,519,840)	(6,749,787,604)
Cash generated from/(utilised by) operations	28	1,059,563,448	1,152,473,240	1,113,463,761	1,291,059,975
Interest received		134,186,955	103,544,892	154,277,171	113,798,238
Interest paid		(314,136,306)	(266,630,167)	(387,774,358)	(284,046,441)
NET CASH FROM OPERATING ACTIVITIES		879,614,097	989,387,965	879,966,574	1,120,811,772
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,335,221,663)	(1,549,585,552)	(1,349,144,879)	(1,687,969,982)
Gain: Change in fair value of livestock		(555,578)	(10,458,980)	(555,578)	(10,458,980)
Proceeds on disposal of fixed assets		20,915,400	12,992,300	20,915,400	13,053,663
Proceeds on disposal of investments		-	9,239,965	-	9,239,965
Decrease/(Increase) in non-current loans		(76,594,615)	47,597,720	(78,100,666)	47,597,720
Decrease/(increase) in non-current investments		71,258,929	(30,997,759)	117,917,651	(78,087,387)
NET CASH FROM INVESTING ACTIVITIES		(1,320,197,527)	(1,521,212,306)	(1,288,968,072)	(1,706,625,001)
CASH FLOWS FROM FINANCING ACTIVITIES					
New loans raised/(repaid)		636,452,546	277,201,058	631,346,357	479,973,468
Increase in consumer deposits		21,486,701	(4,392,536)	21,486,701	(4,392,536)
NET CASH FROM FINANCING ACTIVITIES		657,939,247	272,808,522	652,833,058	475,580,932
NET CASH FLOW		217,355,817	(259,015,819)	243,831,560	(110,232,297)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		217,355,817	(259,015,819)	243,831,560	(110,232,297)
Cash and cash equivalents at the beginning of the year	29	364,665,811	623,681,630	586,210,104	696,442,401
Cash and cash equivalents at the end of the year	29	582,021,628	364,665,811	830,041,664	586,210,104



Notes to the Consolidated Annual Financial Statements

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
1 HOUSING DEVELOPMENT FUND				
Housing Development Fund	141,152,353	150,463,876	141,152,353	150,463,876
Unappropriated surplus	210,158,816	219,470,339	210,158,816	219,470,339
Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
The Housing Development Fund is represented by the following assets and liabilities:				
Housing selling scheme loans	103,434,420	97,667,737	103,434,420	97,667,737
Other debtors	9,961,181	7,912,349	9,961,181	7,912,349
Bank and cash	27,756,752	44,883,790	27,756,752	44,883,790
Total Housing Development Fund Assets and Liabilities	141,152,353	150,463,876	141,152,353	150,463,876
2 LONG-TERM LIABILITIES				
Local Registered Stock	315,714,882	314,780,812	315,714,882	314,780,812
Long-term loans:	2,518,880,585	1,883,362,109	3,071,298,584	2,440,886,297
Annuity loans	1,906,549,057	1,257,690,062	1,906,549,057	1,257,690,062
Term loans	612,331,528	625,672,047	1,136,935,795	1,164,079,818
Capitalised Lease liability	0	0	27,813,732	19,116,417
	2,834,595,467	2,198,142,921	3,387,013,466	2,755,667,109
LESS: Current portion transferred to current liabilities	232,569,002	59,410,497	249,521,272	75,328,252
Local Registered Stock	0	0	0	0
Annuity loans	77,569,002	46,185,641	77,569,002	46,185,641
Term loans	155,000,000	13,224,856	171,952,270	29,142,611
Total External Loans	2,602,026,465	2,138,732,424	3,137,492,194	2,680,338,857
Refer to Appendix A for more detail on long-term liabilities				
Amount invested specifically for the repayment of long-term liabilities. (See note 29 for more detail.)	634,478,486	559,653,150	634,478,486	559,653,150
Maturity value of amount invested as security for long-term liabilities	1,201,630,598	1,244,224,512	1,201,630,598	1,244,224,512
Roodeplaat Temba Water Services Trust:				
Capitalised Lease liability: City of Tshwane				
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default, subject to the cession of the lease agreement as security for the bank borrowings.				
Finance lease liabilities: Minimum lease payments:				
Not later than 1 year			2,040,808	171,377
Later than 1 year and not later than 5 years			2,141,411	2,394,417
Later than 5 years			23,631,513	23,956,838
			27,813,732	26,522,632
Term loans: are secured by:-				
1. A general notarial bond over the movable assets of the Trust. 2. Cession of the Temba Lease Agreement. 3. The Debt Service Reserve Account, the Capital Reserve Account and the Operating Reserve Account. These loans are repayable 6 monthly over 15 years.				
Housing Company Tshwane				
A secured loan bearing interest at 14 % per annum from National Housing Finance Corporation Ltd - repayable in 240 monthly installments. Secured by a mortgage bond over the investment property with a book value of R7 490 657 plus a cession of all banking accounts, debtors books, all risk insurance policies.				
Interest free loan convertible to a grant on meeting certain criteria from the Gauteng Partnership Fund with a book value of R293 000.				

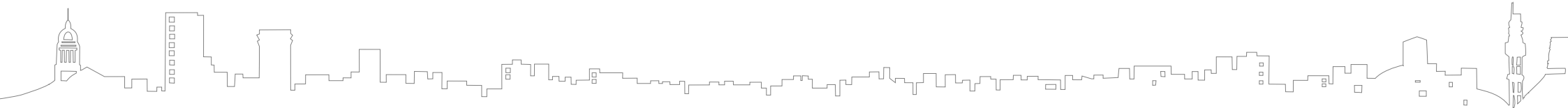


Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
3 NON-CURRENT PROVISIONS				
3.1 CLEARING OF ALIEN VEGETATION				
Opening balance at the beginning of the year	2,869,225	0	2,869,225	0
Contributions during the year	6,292,554	2,869,225	6,292,554	2,869,225
Expenditure during the year	(3,898,629)	0	(3,898,629)	0
Closing balance at the end of the year	5,263,150	2,869,225	5,263,150	2,869,225
In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist. The provision will be phased in over a period of time.				
3.2 REHABILITATION OF LANDFILL SITES				
No provision for the rehabilitation of the landfill sites have been made as no back log currently exist. The rehabilitation is done as part of normal repair and maintenance. See paragraph 11.3 of the Consolidated Accounting Policies)				
4 CURRENT PROVISIONS				
Performance bonus			2,318,467	1,964,363
Special projects			0	2,495,167
			2,318,467	4,459,530
4.1 RECONCILIATION OF CURRENT PROVISIONS				
4.1.1 Performance bonus:				
Balance at the beginning of the year			1,964,363	0
Contributions to provision			354,104	1,964,363
Utilisation of provision			0	0
Balance at the end of the year			2,318,467	1,964,363
4.1.2 Special projects				
Balance at the beginning of the year			2,495,167	0
Contributions to provision			0	7,810,176
Utilisation of provision			(2,495,167)	(5,315,009)
Balance at the end of the year			0	2,495,167
5 CONSUMER DEPOSITS				
Electricity and water	257,579,090	236,092,389	257,579,090	236,092,389
Guarantees held in lieu of Electricity and Water deposits	115,829,785	93,626,411	115,829,785	93,626,411
6 CREDITORS				
Trade creditors	1,084,161,577	1,026,813,126	1,100,698,980	1,035,778,785
Payments received in advance	6,147,161	6,997,383	100,858,338	110,374,496
Retentions	80,391,743	68,291,428	90,378,713	76,687,870
Staff Leave accrual	226,880,894	195,073,278	226,885,121	195,088,738
Deposits	14,845,980	10,552,337	16,667,509	10,552,337
Other creditors	417,805,499	349,988,584	440,407,042	373,964,814
Total creditors	1,830,232,854	1,657,716,136	1,975,895,703	1,802,447,040

Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
7	UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
7.1	Conditional Grants from other spheres of Government	198,708,969	170,698,389	198,708,969	170,698,389
	Municipal Infrastructure Grant (MIG)	19,794,905	0	19,794,905	0
	Housing projects	25,714,685	3,873,808	25,714,685	3,873,808
	Department of Water Affairs & Forestry (DWAF)	22,391,328	13,990,911	22,391,328	13,990,911
	Finance Management Grant (FMG)	1,503,403	3,121,266	1,503,403	3,121,266
	Municipal System Improvement Grant (MSIG)	3,000,000	5,000,000	3,000,000	5,000,000
	Restructuring Grant	78,921,695	102,292,860	78,921,695	102,292,860
	Department of Provincial & Local Government HIV AIDS Operational Grant	0	5,443,600	0	5,443,600
	Transportation and Engineering	8,000,000	6,616,440	8,000,000	6,616,440
	Department Public Works	7,322,068	8,722,068	7,322,068	8,722,068
	Transport : World Cup Soccer	24,150,000	13,150,000	24,150,000	13,150,000
	National Lottery Fund Operational grant	5,780,000	0	5,780,000	0
	Provincial Local Economic Development Projects grant	2,130,885	8,487,436	2,130,885	8,487,436
7.2	Other conditional Receipts	12,281,962	5,801,473	12,281,962	5,801,473
	National Electrification Fund	4,025,783	4,054,573	4,025,783	4,054,573
	Bontle ke Botho	177,223	360,000	177,223	360,000
	Gauteng: Agriculture, Conservation & Environment	8,078,956	460,000	8,078,956	460,000
	Gauteng: Tourism	0	400,000	0	400,000
	Gauteng: Library & Information	0	526,900	0	526,900
	Total Conditional Grants and Receipts	210,990,931	176,499,862	210,990,931	176,499,862
	See Note 19 for reconciliation of grants from other spheres of government.				
	These amounts are invested until utilised				
8	VAT				
	VAT payable	58,214,444	166,782,350	61,270,221	189,812,626
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS				



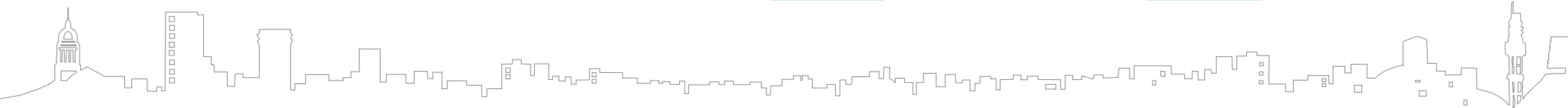
Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
9	PROPERTY, PLANT AND EQUIPMENT				
	Reconciliation of Carrying values				
9.1	INFRASTRUCTURE				
	Carrying value at 1 July				
	Cost	4,572,768,786	3,641,750,954	4,578,920,873	3,647,269,273
	Accumulated depreciation - cost	6,450,648,987 (1,877,880,201)	5,237,396,821 (1,595,645,867)	6,457,836,217 (1,878,915,344)	5,243,314,147 (1,596,044,874)
	Acquisitions				
	Additions	158,454,454	720,912,186	160,620,367	721,545,954
	Capital under construction	217,828,990	493,541,052	220,862,011	494,810,956
	Depreciation - based on cost	250,981,817 (310,356,353)	506,954,620 (279,583,486)	250,981,817 (311,223,461)	506,954,620 (280,219,622)
	Carrying value of purification/transfers				
	Cost	598,304,434	210,105,646	598,304,434	210,105,646
	Accumulated depreciation - cost	471,770,408 126,534,026	212,756,494 (2,650,848)	471,770,408 126,534,026	212,756,494 (2,650,848)
	Carrying values at 30 June:				
	Cost	5,329,527,674	4,572,768,786	5,337,845,674	4,578,920,873
	Accumulated depreciation - cost	7,391,230,202 (2,061,702,528)	6,450,648,987 (1,877,880,201)	7,401,450,453 (2,063,604,779)	6,457,836,217 (1,878,915,344)
9.2	COMMUNITY				
	Carrying value at 1 July				
	Cost	212,730,759	188,785,942	212,730,759	188,785,942
	Accumulated depreciation - cost	389,646,613 (176,915,854)	332,868,072 (144,082,130)	389,646,613 (176,915,854)	332,868,072 (144,082,130)
	Acquisitions				
	Additions	(36,296,493)	(6,768,052)	(36,296,493)	(6,768,052)
	Capital under construction	6,900,014	5,424,497	6,900,014	5,424,497
	Depreciation - based on cost	(22,463,288) (20,733,219)	5,937,251 (18,129,800)	(22,463,288) (20,733,219)	5,937,251 (18,129,800)
	Carrying value of purification/transfers				
	Cost	(3,755,695)	30,712,869	(3,755,695)	30,712,869
	Accumulated depreciation - cost	(10,624,739) 6,869,044	45,416,793 (14,703,924)	(10,624,739) 6,869,044	45,416,793 (14,703,924)
	Carrying values at 30 June:				
	Cost	172,678,571	212,730,759	172,678,571	212,730,759
	Accumulated depreciation - cost	363,458,600 (190,780,029)	389,646,613 (176,915,854)	363,458,600 (190,780,029)	389,646,613 (176,915,854)



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
9.3 HERITAGE				
Carrying value at 1 July	3,221,102	1,999,308	3,221,102	1,999,308
Cost	3,221,102	2,273,245	3,221,102	2,273,245
Accumulated depreciation - cost	0	(273,937)	0	(273,937)
Acquisitions	0	947,857	0	947,857
Additions	0	947,857	0	947,857
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	0	0
Carrying value of purification/transfers	(18,628)	(273,937)	(18,628)	(273,937)
Cost	(18,628)	0	(18,628)	0
Accumulated depreciation - cost	0	(273,937)	0	(273,937)
Carrying values at 30 June:	3,202,474	2,673,228	3,202,474	2,673,228
Cost	3,202,474	3,221,102	3,202,474	3,221,102
Accumulated depreciation - cost	0	(547,874)	0	(547,874)
9.4 HOUSING				
Carrying value at 1 July	220,074,355	100,757,749	220,074,355	100,757,749
Cost	227,228,983	106,597,558	227,228,983	106,597,558
Accumulated depreciation - cost	(7,154,628)	(5,839,809)	(7,154,628)	(5,839,809)
Acquisitions	(61,060,788)	119,316,606	(61,060,788)	119,316,606
Additions	0	(22,445)	0	(22,445)
Capital under construction	(59,745,969)	120,653,870	(59,745,969)	120,653,870
Depreciation - based on cost	(1,314,819)	(1,314,819)	(1,314,819)	(1,314,819)
Carrying value of purification/transfers	0	0	0	0
Cost	(32,330)	0	(32,330)	0
Accumulated depreciation - cost	32,330	0	32,330	0
Carrying values at 30 June:	159,013,567	220,074,355	159,013,567	220,074,355
Cost	167,450,684	227,228,983	167,450,684	227,228,983
Accumulated depreciation - cost	(8,437,117)	(7,154,628)	(8,437,117)	(7,154,628)
9.5 OTHER				
Carrying value at 1 July	459,205,392	562,450,287	898,611,995	892,497,258
Cost	838,961,627	804,926,064	1,305,612,005	1,136,081,469
Accumulated Depreciation - cost	(379,756,235)	(242,475,777)	(407,000,010)	(243,584,211)
Acquisitions	(67,340,624)	(143,723,432)	(93,350,046)	(34,356,647)
Additions	23,771,923	53,649,325	34,672,435	189,627,042
Capital under construction	39,967,354	(70,791,394)	39,967,354	(70,791,394)
Depreciation - based on cost	(131,079,901)	(126,581,363)	(167,989,835)	(153,192,295)
Carrying value of purification/transfers/disposals	(3,324,753)	40,478,540	(4,940,241)	40,417,176
Cost	(113,288,913)	51,177,632	(113,288,913)	50,962,895
Accumulated depreciation - cost	109,964,160	(10,699,092)	108,348,672	(10,545,719)
Carrying values at 30 June:	388,540,015	459,205,395	800,321,708	898,557,787
Cost	789,411,991	838,961,627	1,266,962,881	1,305,612,005
Accumulated depreciation - cost	(400,871,976)	(379,756,232)	(466,641,173)	(407,054,218)



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
9.6 INVESTMENT PROPERTY				
Carrying value at 1 July	1,678,026	371,109	9,168,683	7,861,766
Cost	1,707,296	383,906	9,197,953	7,874,563
Accumulated depreciation - cost	(29,270)	(12,797)	(29,270)	(12,797)
Acquisitions	391,840	366,780	391,840	366,780
Additions	450,000	383,253	450,000	383,253
Capital under construction	0	0	0	0
Depreciation - based on cost	(58,160)	(16,473)	(58,160)	(16,473)
Carrying value of purification/transfers/disposals	0	940,137	0	940,137
Cost	0	940,137	0	940,137
Accumulated depreciation - cost	0	0	0	0
Carrying values at 30 June:	2,069,866	1,678,026	9,560,523	9,168,683
Cost	2,157,296	1,707,296	9,647,953	9,197,953
Accumulated depreciation - cost	(87,430)	(29,270)	(87,430)	(29,270)
The Municipality is still busy with the purification process of the Property, plant and equipment register and therefore the values reflected under Investment Properties might be a misrepresentation of the actual asset situation. Most investment properties are still included under land and buildings.				
9.7 INTANGIBLE ASSETS				
Carrying value at 1 July	158,519,840	66,462,092	158,519,840	66,462,092
Cost	198,133,925	88,396,588	198,133,925	88,396,588
Accumulated depreciation - cost	(39,614,085)	(21,934,496)	(39,614,085)	(21,934,496)
Acquisitions	(40,089,559)	(1,978,255)	(40,089,559)	(1,978,255)
Additions	171,421	15,701,335	171,421	15,701,335
Capital under construction	0	0	0	0
Depreciation - based on cost	(40,260,980)	(17,679,590)	(40,260,980)	(17,679,590)
Carrying value of purification/transfers/disposals	6,918,652	94,036,003	6,918,652	94,036,003
Cost	9,718,652	94,036,003	9,718,652	94,036,003
Accumulated depreciation - cost	(2,800,000)	0	(2,800,000)	0
Carrying values at 30 June:	125,348,933	158,519,840	125,348,933	158,519,840
Cost	208,023,998	198,133,926	208,023,998	198,133,926
Accumulated depreciation - cost	(82,675,065)	(39,614,086)	(82,675,065)	(39,614,086)
9.8 CAPITALISED LEASED ASSETS				
Carrying value at 1 July	0	0	16,654,454	17,523,382
Cost	0	0	19,116,417	19,116,417
Accumulated depreciation - cost	0	0	(2,461,963)	(1,593,035)
Acquisitions	0	0	(493,671)	(868,928)
Additions	0	0	0	0
Capital under construction	0	0	0	0
Depreciation - based on cost	0	0	(493,671)	(868,928)
Carrying value of purification/transfers/disposals	0	0	(1,287,087)	0
Cost	0	0	(1,477,352)	0
Accumulated depreciation - cost	0	0	190,265	0
Carrying values at 30 June:	0	0	14,873,696	16,654,454
Cost	0	0	17,639,065	19,116,417
Accumulated depreciation - cost	0	0	(2,765,369)	(2,461,963)

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
9.9 LAND AND BUILDINGS				
Carrying value at 1 July	1,830,550,765	1,852,756,722	1,834,580,717	1,852,854,006
Cost	2,217,320,600	2,204,441,326	2,221,991,279	2,204,540,771
Accumulated depreciation - cost	(386,769,835)	(351,684,604)	(387,410,562)	(351,686,765)
Acquisitions	66,185,420	25,859,647	67,504,250	29,792,315
Additions	120,966,020	95,858,950	122,433,056	100,430,184
Capital under construction	0	0	0	0
Depreciation - based on cost	(54,780,600)	(69,999,303)	(54,928,806)	(70,637,869)
Carrying value of purification/transfers	158,269,371	(48,065,607)	158,269,371	(48,065,607)
Cost	148,819,665	(82,979,677)	148,819,665	(82,979,677)
Accumulated depreciation - cost	9,449,706	34,914,070	9,449,706	34,914,070
Carrying values at 30 June:	2,055,005,556	1,830,550,762	2,060,354,340	1,834,580,714
Cost	2,487,106,285	2,217,320,599	2,493,244,000	2,221,991,278
Accumulated depreciation - cost	(432,100,729)	(386,769,837)	(432,889,660)	(387,410,564)
9.10 TOTAL				
Carrying value at 1 July	7,458,749,026	6,415,334,163	7,932,482,778	6,776,010,775
Cost	10,326,869,134	8,777,283,580	10,831,984,495	9,141,062,830
Accumulated depreciation - cost	(2,868,120,108)	(2,361,949,417)	(2,899,501,717)	(2,365,052,055)
Acquisitions	20,244,250	714,933,338	(2,773,789)	827,997,631
Additions	370,088,368	665,483,824	385,488,949	807,302,679
Capital under construction	208,739,914	562,754,347	208,739,914	562,754,347
Depreciation - based on cost	(558,584,032)	(513,304,833)	(597,002,652)	(542,059,395)
Carrying value of purification/transfers	756,393,381	328,481,525	753,490,496	328,420,162
Cost	506,344,115	321,347,382	504,866,753	321,132,645
Accumulated depreciation - cost	250,049,266	7,134,143	248,623,743	7,287,517
Carrying values at 30 June:	8,235,386,657	7,458,749,026	8,683,199,486	7,932,428,567
Cost	11,412,041,531	10,326,869,133	11,931,080,111	10,832,252,501
Accumulated depreciation - cost	(3,176,654,874)	(2,868,120,107)	(3,247,880,625)	(2,899,823,934)

Refer to Appendix B (for analysis per class) and Appendix C (for segmental analysis)

Upon implementation of GAMAP 17 on 1 July 2004, all assets in the Capital Ledger were transferred to the Asset Register in the format of globular assets per asset class/type. Individual assets were shown in the Asset Register, but with a nil value as the value is reflected in the globular asset.

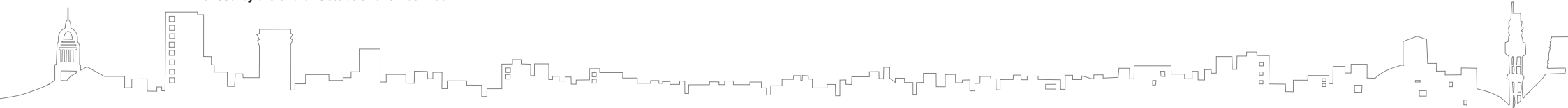
A process has been approved by Council for the purification of these globular assets to the individual assets. The Municipality is now in year 3 of a 3-year cycle to purify the data of the fixed asset register. All new assets acquired since 1 July 2004 are recognized and depreciated individually as per the requirements of GAMAP 17.

Note must be taken that no revaluation and/or impairment of assets can be undertaken until the purification process is finalised.

The purification process entails the following:

- Compilation of policies and procedures, revision of asset class structure and modification of business processes to ensure compliance with GAMAP 17
- Analysis of capital ledger transactions to ensure correct recording thereof on the fixed asset register
- Complete verification and take-up of the physical assets with the assistance of the departments
- Purification of the fixed asset register by merging the two sets of data with the assistance of the departments

A tender was awarded to a firm to assist in the purification process. This process will only be finalised by the end of October/November 2007



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
10 BIOLOGICAL ASSETS: LIVESTOCK				
Carrying amount at the beginning of the year	10,458,980	0	10,458,980	0
Gain: changes in fair value due to physical changes and price changes	555,578	10,458,980	555,578	10,458,980
Carrying amount at the end of the financial year	11,014,558	10,458,980	11,014,558	10,458,980
11 INVESTMENTS				
11.1 HELD-TO-MATURITY INVESTMENTS				
Listed:				
Stock	0	5,000,000	0	5,000,000
Unlisted:				
Shares *	1,128,029	0	1,128,029	0
Municipal stock	6,056,959	6,056,959	6,056,959	6,056,959
* A contract is in place with a specific maturity date	7,184,988	6,056,959	7,184,988	6,056,959
Financial instruments:				
Fixed deposits	398,992,765	466,780,248	405,784,035	520,230,240
Assurance companies	5,106,155	4,705,630	5,106,155	4,705,630
	404,098,920	471,485,878	410,890,190	524,935,870
Total Held-to-Maturity Investments	411,283,908	482,542,837	418,075,178	535,992,829
11.2 AVAILABLE-FOR-SALE INVESTMENTS				
Short-term deposits and Call deposits	558,674,497	375,568,880	614,937,475	375,570,877
TOTAL INVESTMENTS	969,958,405	858,111,717	1,033,012,653	911,563,706
Market value of listed investments, and management's valuation of unlisted investments:				
Listed investments	0	5,000,000	0	5,000,000
Unlisted investments	969,958,405	853,111,717	1,033,012,653	906,563,706
No impairment occurred during the financial year				
Average rate of return on long-term investments : 13,30 % (2005/06 = 13,25 %)				
Average rate of return on short-term investments : 8,50 %				
The Municipal Financial Management Act, 2003 (Act 56 of 2003) requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments.				
IMPAIRMENT GAIN/LOSS ON INVESTMENTS				
During the 2005/06 financial year Tswaing Electricity Project (Pty) Ltd and Lebone Municipal Finance Corporation were				
Impairment Gain: Tswaing Electricity Project (Pty) Ltd	0	9,239,965	0	9,239,965
Impairment Loss: Lebone Municipal Finance Corporation	0	(100)	0	(100)
No amount was received from Lebone Municipal Finance Corporation				
12 LONG-TERM RECEIVABLES				
Consumers: Arrangement debtors	220,595,717	143,061,938	220,595,717	143,061,938
Housing loans	103,434,420	97,667,736	103,434,420	97,667,736
Motor car loans	8,080,676	20,383,146	8,080,676	20,383,146
Loans to Sports Clubs	1,729,108	1,786,494	1,729,108	1,786,494
Computer loans	65	3,821	65	3,821
Study loans	15,546	23,096	15,546	23,096
Sale of land	69,882,327	64,217,013	69,882,327	64,217,013
Samrand Development (Pty) Ltd	18,152,564	18,152,564	18,152,564	18,152,564
Loan to Botsele Water: Sandspruit	0	0	1,506,051	0
	421,890,423	345,295,808	423,396,474	345,295,808
Less: Current portion transferred to current receivables	27,840,367	16,320,964	27,840,367	16,320,964
	394,050,056	328,974,844	395,556,107	328,974,844
Less: Provision for bad debt: Housing loans	36,202,047	34,306,320	36,202,047	34,306,320
Total Long-term receivables	357,848,009	294,668,524	359,354,060	294,668,524

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	34,306,320	0	34,306,320	0
Contributions to provision	1,895,727	34,306,320	1,895,727	34,306,320
Balance at the end of the year	36,202,047	34,306,320	36,202,047	34,306,320
CONSUMER: ARRANGEMENT DEBTORS				
A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.				
HOUSING LOANS				
Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Programme. These loans attract interest of 13,5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.				
MOTOR CAR LOANS				
Senior staff were entitled to motor car loans which attract interest at 8,5 % per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in October 2009.				
LOANS TO SPORT CLUBS				
Sport Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.				
COMPUTER LOANS				
Staff were entitled to an interest free computer loan which was repayable over a period of 5 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in 2009.				
STUDY LOANS				
Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying.				
Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.				
SALE OF LAND DEBTORS				
Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14 %) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11 %. Interest is calculated monthly on the outstanding balance of the property.				
SAMRAND DEVELOPMENT (PTY) LTD				
This debtor refers to long outstanding consumer debt of Samrand.				
LOAN TO BOTSELO WATER (SANDSPRUIT)				
This loan is unsecured, interest free with no specific terms of repayment				
13 INVENTORY				
Stock represents consumable stock, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.				
	140,829,697	103,038,372	184,623,283	119,320,248
Quarry	501,539	281,373	501,539	281,373
Coal (power stations)	22,031,408	2,244,533	22,031,408	2,244,533
Plants	99,379	75,415	99,379	75,415
Bulk water	2,482,172	2,825,889	2,482,172	2,825,889
Net Inventory	165,944,195	108,465,582	209,737,781	124,747,458



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
14 CONSUMER DEBTORS				
The City of Tshwane (parent) has a consolidated account billing system. The division of debtors per service category is done on a pro rata basis based on the levies. The provision for bad debt is therefore also not available per income group.				
Service debtors	3,146,540,369	2,959,669,372	3,293,028,331	3,211,074,853
Rates	694,221,969	831,081,071	694,221,969	831,081,071
Electricity	1,352,679,005	1,163,640,622	1,352,679,005	1,163,640,622
Water	679,889,865	580,090,538	826,377,827	831,496,019
Sewerage	169,777,929	144,602,857	169,777,929	144,602,857
Refuse removal	249,971,601	240,254,284	249,971,601	240,254,284
Less: Arrangement debtors	220,595,716	143,061,938	220,595,716	143,061,938
	2,925,944,653	2,816,607,434	3,072,432,615	3,068,012,915
Less: Provision for Bad debt	881,557,955	830,673,256	1,025,420,794	1,068,446,752
Consumer debtors per balance sheet	2,044,386,698	1,985,934,178	2,047,011,821	1,999,566,163
Council approved an amount of R100 777 966 to be written off for the parent, however only a total amount of R86 736 741 (2006: R168 492 129) was written off as bad debt by the parent municipality. This represents 1,01 % (2006: 2081%) of the total operating income for the year of the parent municipality.				
Ageing: Total				
Current (0 - 30 days)	890,777,901	689,715,136	1,037,265,863	941,120,617
31 - 60 days	191,055,500	115,850,492	191,055,500	115,850,492
61 - 90 days	65,548,626	93,641,547	65,548,626	93,641,547
91 + days	1,999,158,342	2,060,462,197	1,999,158,342	2,060,462,197
	3,146,540,369	2,959,669,372	3,293,028,331	3,211,074,853
Rates: Ageing				
Current (0 - 30 days)	226,797,015	113,917,075	226,797,015	113,917,075
31 - 60 days	44,312,481	35,043,713	44,312,481	35,043,713
61 - 90 days	23,153,018	23,144,317	23,153,018	23,144,317
91 + days	399,959,455	658,975,966	399,959,455	658,975,966
	694,221,969	831,081,071	694,221,969	831,081,071
Electricity: Ageing				
Current (0 - 30 days)	405,700,048	363,365,851	405,700,048	363,365,851
31 - 60 days	94,168,975	42,225,333	94,168,975	42,225,333
61 - 90 days	17,724,793	41,481,404	17,724,793	41,481,404
91 + days	835,085,189	716,568,034	835,085,189	716,568,034
	1,352,679,005	1,163,640,622	1,352,679,005	1,163,640,622
Water: Ageing				
Current (0 - 30 days)	168,963,447	144,304,035	315,451,409	395,709,516
31 - 60 days	36,569,219	26,752,755	36,569,219	26,752,755
61 - 90 days	16,514,682	18,901,690	16,514,682	18,901,690
91 + days	457,842,517	390,132,058	457,842,517	390,132,058
	679,889,865	580,090,538	826,377,827	831,496,019

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
Sanitation: Ageing				
Current (0 - 30 days)	39,039,899	32,182,355	39,039,899	32,182,355
31 - 60 days	7,949,450	4,284,728	7,949,450	4,284,728
61 - 90 days	3,406,292	3,702,793	3,406,292	3,702,793
91 + days	119,382,288	104,432,981	119,382,288	104,432,981
	169,777,929	144,602,857	169,777,929	144,602,857
Solid Waste: Ageing				
Current (0 - 30 days)	50,277,491	35,945,820	50,277,491	35,945,820
31 - 60 days	8,055,375	7,543,965	8,055,375	7,543,965
61 - 90 days	4,749,841	6,411,342	4,749,841	6,411,342
91 + days	186,888,894	190,353,157	186,888,894	190,353,157
	249,971,601	240,254,284	249,971,601	240,254,284
Summary of consumer debtors by customer classification:				
Household	2,048,397,780	2,104,324,923	2,194,885,742	2,355,730,404
Industrial/Commercial	814,953,956	600,812,883	814,953,956	600,812,883
National and Provincial Government	72,370,428	50,314,379	72,370,428	50,314,379
Other	210,818,205	204,217,187	210,818,205	204,217,187
Total consumer debtors by customer classification	3,146,540,369	2,959,669,372	3,293,028,331	3,211,074,853
RECONCILIATION OF BAD DEBT PROVISION				
Balance at the beginning of the year	830,673,256	703,785,974	1,068,446,752	703,785,974
Contributions to provision	50,884,699	126,887,282	(43,025,958)	364,660,778
Balance at the end of the year	881,557,955	830,673,256	1,025,420,794	1,068,446,752
15 OTHER DEBTORS				
Housing debtors	9,961,181	7,912,349	21,499,010	7,912,349
Government subsidies	7,075,000	2,820,000	7,075,000	2,820,000
RSC levies debtor	236,729,088	326,736,740	236,729,088	326,736,740
Amounts paid in advance	50,826,104	11,032	54,415,928	76,654,046
Other Current debtors	231,044,616	183,011,437	245,905,087	195,413,146
	535,635,989	520,491,558	565,624,113	609,536,281
Less: Provision for Bad debt	100,967,058	46,995,190	109,137,273	47,112,956
Total Other Debtors	434,668,931	473,496,368	456,486,840	562,423,325

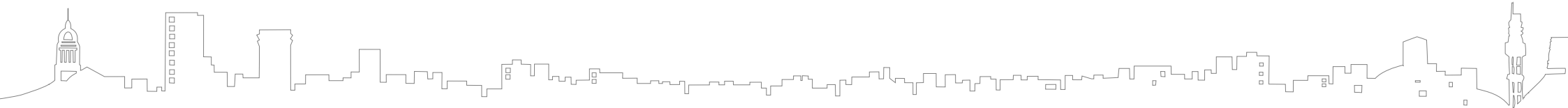


Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
	RECONCILIATION OF BAD DEBT PROVISION				
	Balance at the beginning of the year	46,995,190	86,540,713	46,995,190	86,540,713
	Correction of balance of 2004/5	0	(41,779,882)	0	(41,779,882)
	Contributions to provision	53,971,868	2,234,359	62,142,083	2,352,125
	Balance at the end of the year	100,967,058	46,995,190	109,137,273	47,112,956
16	CALL INVESTMENT DEPOSITS				
	Other deposits/call investments				
	Other deposits of R418 739 211 (2006 = R357 857 950) are ring-fenced and attributable to the Capital replacement reserve of R501 152 806. Fixed deposits amounting to R634 478 486 (2006 =R559 653 150) have also been ring-fenced for the purposes of repaying long-term liabilities. Refer to Note 30				
		558,674,497	375,568,880	614,937,475	375,570,877
17	BANK, CASH AND OVERDRAFT BALANCES				
	The Municipality (parent) has the following bank accounts:-				
17.1	Current Account (Primary Bank account)				
	STANDARD - Primary (Account nr 41 080 1453)				
	STANDARD - Cashier deposit (Account nr 41 080 1569)				
	STANDARD - Wonderboom Airport (Account nr 41 080 1674)				
	STANDARD - Collection (Account nr 41 080 1658)				
	ABSA - Main (Account nr 4060 738 263)				
	ABSA - SAP collection (Account nr 4061 025 439)				
	ABSA - Old Main (Account nr 4053 381 912)				
	ABSA - Pretoria Collection (Account nr 4053 381 857)				
	ABSA - Centurion Collection (Account nr 4053 486 168)				
	ABSA - Akasia Collection (Account nr 4053 388 003)				
	ABSA - GPMC Collection (Account nr 4048 828 191)				
	ABSA - Housing Collection (Account nr 4054 433 297)				
	ABSA - Wonderboom Airport (Account nr 4059 414 365)				
	FNB Main - Pretoria Branch (Account nr 5142 0107 207)				
	FNB - Pretoria Collection (Account nr 5142 0108 130)				
	FNB - Centurion Collection (Account nr 6202 7802 869)				
	FNB - Akasia Collection (Account nr 6202 7803 023)				
	FNB - Housing Collection (Account nr 5142 1127 486)				
	FNB - SAP Collection (Account nr 6207 4177 786)				
	FNB - Traffic Collection (Account nr 6206 7460 586)				
	ABSA				
	Cash book balance at the beginning of the year - overdrawn	(29,715,301)	(38,962,372)	(29,715,301)	(38,962,372)
	Cash book balance at the end of the year - overdrawn	15,413,275	(29,715,301)	15,413,275	(29,715,301)
	Bank statement balance at the beginning of the year	60,295,912	56,479,853	60,295,912	56,479,853
	Bank statement balance at the end of the year	17,907,552	60,295,912	17,907,552	60,295,912

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
FNB				
Cash book balance at the beginning of the year	3,509,343	2,498,456	3,509,343	2,498,456
Cash book balance at the end of the year	(2,374)	3,509,343	(2,374)	3,509,343
Bank statement balance at the beginning of the year	3,517,003	2,716,551	3,517,003	2,716,551
Bank statement balance at the end of the year	10,499,069	3,517,003	10,499,069	3,517,003
STANDARD (Opened 1 July 2006)				
Cash book balance at the beginning of the year	0		0	0
Cash book balance at the end of the year - (overdrawn)	(45,999,764)		(45,999,764)	0
Bank statement balance at the beginning of the year	0		0	0
Bank statement balance at the end of the year	38,863,430		38,863,430	0
17.2 Insurance Contingency (Opened 1 July 2005)				
ABSA (Account nr: 4062593950)				
Cash book balance at the beginning of the year	7,972,921	0	7,972,921	0
Cash book balance at the end of the year	41,285,499	7,972,921	41,285,499	7,972,921
Bank statement balance at the beginning of the year	7,972,921	0	7,972,921	0
Bank statement balance at the end of the year	41,285,499	7,972,921	41,285,499	7,972,921
17.3 Tshwane Market (Primary account)				
First National Bank - Church Square Branch (Account nr: 51421161509)				
Cash book balance at the beginning of the year	7,073,890	6,442,133	7,073,890	6,442,133
Cash book balance at the end of the year	12,408,157	7,073,890	12,408,157	7,073,890
Bank statement balance at the beginning of the year	6,665,740	6,170,004	6,665,740	6,170,004
Bank statement balance at the end of the year	12,604,882	6,665,740	12,604,882	6,665,740
17.4 Petty cash/cashiers floats	242,338	256,078	247,262	261,061



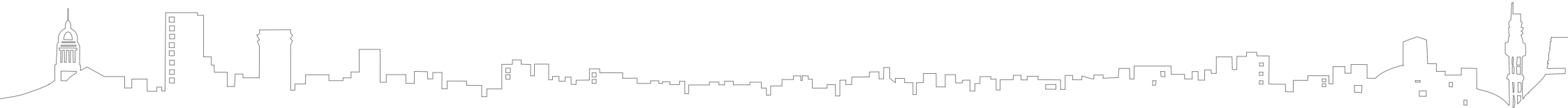
Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
17.5	BANK ACCOUNTS: MUNICIPAL ENTITIES				
17.5.1	Roodeplaat/Temba Water Services Trust				
	Absa - Current account (Account nr 4058159742)				
	Cash book balance at the beginning of the year			39,183,111	1,074,955
	Cash book balance at the end of the year			36,772,659	39,183,111
	Bank statement balance at the beginning of the year			39,183,111	1,074,955
	Bank statement balance at the end of the year			36,772,659	39,183,111
	Absa - Deposit account - Roodeplaat (Account nr 4059250408)				
	Cash book balance at the beginning of the year			22,074,114	11,697,447
	Cash book balance at the end of the year			13,150,214	22,074,114
	Bank statement balance at the beginning of the year			22,074,114	11,697,447
	Bank statement balance at the end of the year			13,150,214	22,074,114
	Absa - Debt Service Reserve account (Account nr 4058337269)				
	Cash book balance at the beginning of the year			90,045,565	13,423,318
	Cash book balance at the end of the year			97,790,718	90,045,565
	Bank statement balance at the beginning of the year			90,045,565	13,423,318
	Bank statement balance at the end of the year			97,790,718	90,045,565
	Absa - Deposit account - Temba (Account nr 405832325)				
	Cash book balance at the beginning of the year			30,685,615	13,446,728
	Cash book balance at the end of the year			5,624,184	30,685,615
	Bank statement balance at the beginning of the year			30,685,615	13,446,728
	Bank statement balance at the end of the year			5,624,184	30,685,615
	Absa - Operating Reserve account (Account nr 4058337073)				
	Cash book balance at the beginning of the year			501,538	1,114
	Cash book balance at the end of the year			543,094	501,538
	Bank statement balance at the beginning of the year			500,338	1,114
	Bank statement balance at the end of the year			543,094	500,338



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
Absa - Capital Reserve account (Account nr 4058337358)				
Cash book balance at the beginning of the year			10,000,341	(1,786,802)
Cash book balance at the end of the year			10,841,875	10,000,341
Bank statement balance at the beginning of the year			10,000,341	(85)
Bank statement balance at the end of the year			10,841,875	10,000,341
17.5.2 Trade Point Pretoria				
Absa - Current account (Account nr 4054625800)				
Cash book balance at the beginning of the year			112,278	133,226
Cash book balance at the end of the year			50,670	112,278
Bank statement balance at the beginning of the year			176,645	192,346
Bank statement balance at the end of the year			50,413	176,645
17.5.3 Sandspruit Works Waste Water Treatment				
Absa - Current account (Account nr 4051139634)				
Cash book balance at the beginning of the year			4,469,149	4,157,827
Cash book balance at the end of the year			7,030,146	4,469,149
Bank statement balance at the beginning of the year			4,517,902	4,205,554
Bank statement balance at the end of the year			0	4,517,902
17.5.4 Sandspruit Works ODI Water				
Standard Bank - Current account (Account nr 032250738000)				
Cash book balance at the beginning of the year			11,518,431	0
Cash book balance at the end of the year			5,672,412	11,518,431
Bank statement balance at the beginning of the year			12,958,687	0
Bank statement balance at the end of the year			0	12,958,687
Standard Bank - Current account (Account nr 031906842000)				
Cash book balance at the beginning of the year			105,948	0
Cash book balance at the end of the year			44,588	105,948
Bank statement balance at the beginning of the year			439,551	0
Bank statement balance at the end of the year			0	439,551



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
Standard Bank - Call account (Account nr 738717959002)				
Cash book balance at the beginning of the year			14,197	0
Cash book balance at the end of the year			0	14,197
Bank statement balance at the beginning of the year			14,197	0
Bank statement balance at the end of the year			0	14,197
Standard Bank - Call account (Account nr 738717959003)				
Cash book balance at the beginning of the year			618,109	0
Cash book balance at the end of the year			0	618,109
Bank statement balance at the beginning of the year			618,109	0
Bank statement balance at the end of the year			0	618,109
Standard Bank - Call account (Account nr 738717959001)				
Cash book balance at the beginning of the year			4,236,574	0
Cash book balance at the end of the year			5,923,714	4,236,574
Bank statement balance at the beginning of the year			4,236,574	0
Bank statement balance at the end of the year			0	4,236,574
17.5.5 Enterprise South Africa				
Absa - Current account (Account nr 4059489340)				
Cash book balance at the beginning of the year			0	(5,843)
Cash book balance at the end of the year			0	(5,843)
Bank statement balance at the beginning of the year			0	8,740
Bank statement balance at the end of the year			0	8,740
17.5.6 Civirelo Water				
Absa - Current account (Account nr 4052561692)				
Cash book balance at the beginning of the year			4,117,177	1,799,426
Cash book balance at the end of the year			4,252,125	4,117,177
Bank statement balance at the beginning of the year			4,117,177	2,055,730
Bank statement balance at the end of the year			6,011,060	4,117,177
17.5.7 Housing Company Tshwane				
Absa - Current account (Account nr 4057481879)				
Cash book balance at the beginning of the year			3,805,095	1,273,180
Cash book balance at the end of the year			3,999,822	3,805,095
Bank statement balance at the beginning of the year			3,742,286	990,484
Bank statement balance at the end of the year			3,709,294	3,742,286

Notes to the Consolidated Annual Financial Statements (continued)

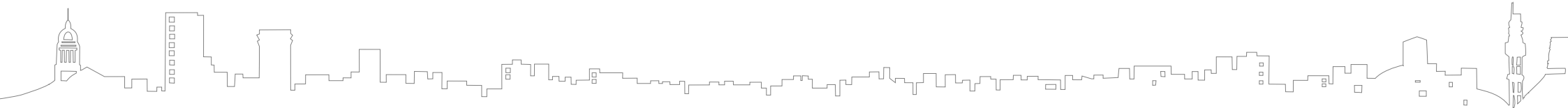
DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
17.5.8 Tshwane Centre for Business Information and Support				
Absa - Current account (Account nr 4050437263)				
Cash book balance at the beginning of the year			94,686	94,686
Cash book balance at the end of the year			55,914	55,914
Bank statement balance at the beginning of the year			71,884	71,884
Bank statement balance at the end of the year			53,375	53,375
18 PROPERTY RATES				
Actual Income	1,719,224,465	1,624,061,411	1,719,158,593	1,624,061,411
Site Values as at 1 July:				
Residential	14,495,588,615	15,451,995,608	14,495,588,615	15,451,995,608
Other	6,837,110,872	9,369,325,676	6,837,110,872	9,369,325,676
Total property valuation *	21,332,699,487	24,821,321,284	21,332,699,487	24,821,321,284
* The decrease in the valuation since 2005/06 is due to the reconciliation between the VAL system and the SAP billing system which were started during 2006/07.				
The last valuation came into effect on 1 July 2002. Rates are levied on the site valuations. A rebate is granted to owners of special dwellings. Persons of 65 years or older, and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions. The tariff applicable is 13,48c/Rand (2005/06 = 12.72c/Rand)				
19 SERVICE CHARGES				
Sale of electricity	2,664,517,715	2,513,150,345	2,664,157,955	2,513,101,970
Sale of water	1,036,700,846	905,434,503	1,107,789,579	984,016,492
Refuse removal	250,699,662	240,037,915	250,699,662	240,037,915
Sewerage and sanitation charges	249,566,964	215,934,611	249,566,964	216,108,579
Total service charges	4,201,485,187	3,874,557,374	4,272,214,160	3,953,264,956
20 GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	1,002,649,865	261,870,276	1,002,649,865	261,870,276
Housing: Municipality	0	0	692,552	2,668,663
Magalies Water	0	0	8,040	1,348,465
Sandspruit: Department Water Affairs & Forestry	0	0	0	15,921,068
Provincial Health subsidies	21,498,600	10,911,995	21,498,600	10,911,995
Provincial Ambulance subsidy	31,199,756	30,641,169	31,199,756	30,641,169
National Safety grant	418,718	756,565	418,718	756,565
Provincial motor vehicle licences refund	58,252,483	51,325,305	58,252,483	51,325,305
Capex: grants & donations	317,833,940	360,156,572	317,833,940	360,156,572
Opex: grants & donations	3,471,779	1,530,458	3,471,779	1,530,458
Finance Management grant	2,117,862	2,955,963	2,117,862	2,955,963
Restructuring grant	48,371,166	42,549,758	48,371,166	42,549,758
Municipal Systems Infrastructure grant	2,000,000	0	2,000,000	0
DWAF Grant (parent)	14,264,950	2,150,000	14,264,950	2,150,000
Topstructure grants	39,014,522	0	39,014,522	0
IMEI grant	0	410,000	0	410,000
RTWST grant	25,000,000	20,000,000	0	0
Ntsika	0	0	0	151,797
SEDA	0	0	0	79,500
Total Government grants and subsidies	1,566,093,641	785,258,061	1,541,794,233	785,427,554

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
20.1 Equitable share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.				
Total amount of equitable share received	1,002,649,865	261,870,276	1,002,649,865	261,870,276
Monthly grant received by all registered indigents	168	166	168	166
20.2 Provincial Health Subsidies				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in public health vote	21,498,600	10,911,995	21,498,600	10,911,995
Conditions met - transferred to revenue	(21,498,600)	(10,911,995)	(21,498,600)	(10,911,995)
Conditions still to be met - transferred to liabilities (see note 7)	0	0	0	0
The Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services (included in the Social Development vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded = 16,20 %				
20.3 Provincial Ambulance Subsidy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts - included in emergency medical services vote	31,199,756	30,641,169	31,199,756	30,641,169
Conditions met - transferred to revenue	(31,199,756)	(30,641,169)	(31,199,756)	(30,641,169)
Conditions still to be met - transferred to liabilities (see note 7)	0	0	0	0
The Municipality renders ambulance services on behalf of the provincial government and is reimbursed. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Percentage of expenditure incurred refunded = 70,49 %				
20.4 MIG				
Balance unspent at beginning of year	0	38,042,268	0	38,042,268
Current year receipts	205,944,000	155,019,913	205,944,000	155,019,913
Conditions met - transferred to revenue	(186,149,095)	(193,062,181)	(186,149,095)	(193,062,181)
Conditions still to be met - transferred to liabilities (see note 7)	19,794,905	0	19,794,905	0
This grant is used to construct roads and sewerage infrastructure as part of the capital expenditure (included in the roads and sewerage votes in Appendix B). No funds have been withheld.				
20.5 FINANCE MANAGEMENT GRANT				
Balance unspent at beginning of year	3,121,266	3,077,229	3,121,266	3,077,229
Current year receipts	500,000	3,000,000	500,000	3,000,000
Conditions met - transferred to revenue	(2,117,863)	(2,955,963)	(2,117,863)	(2,955,963)
Conditions still to be met - transferred to liabilities (see note 7)	1,503,403	3,121,266	1,503,403	3,121,266
This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Financial Management and Budget Reforms, as part of the National Reform program. No funds have been withheld.				
20.6 MUNICIPAL SYSTEM IMPROVEMENT GRANT				
Balance unspent at beginning of year	5,000,000	2,000,000	5,000,000	2,000,000
Current year receipts	0	3,000,000	0	3,000,000
Conditions met - transferred to revenue	(2,000,000)	0	(2,000,000)	0
Conditions still to be met - transferred to liabilities (see note 7)	3,000,000	5,000,000	3,000,000	5,000,000
This grant is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000. No funds have been withheld.				

Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
20	GOVERNMENT GRANTS AND SUBSIDIES (continued)				
20.7	RESTRUCTURING GRANT				
	Balance unspent at beginning of year	102,292,860	79,842,618	102,292,860	79,842,618
	Current year receipts	25,000,000	65,000,000	25,000,000	65,000,000
	Conditions met - transferred to revenue	(48,371,165)	(42,549,758)	(48,371,165)	(42,549,758)
	Conditions still to be met - transferred to liabilities (see note 7)	78,921,695	102,292,860	78,921,695	102,292,860
	This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional, Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.				
20.8	DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
	Balance unspent at beginning of year	13,990,911	29,988,284	13,990,911	29,988,284
	Current year receipts	22,399,000	0	23,091,552	4,388,663
	Conditions met - transferred to revenue	(13,998,583)	(15,997,373)	(14,691,135)	(20,386,036)
	Conditions still to be met - transferred to liabilities (see note 7)	22,391,328	13,990,911	22,391,328	13,990,911
	This grant was received for the supply of water services for community upliftment.				
20.9	CITY OF TSHWANE METROPOLITAN MUNICIPALITY (HOUSING COMPANY)				
	Balance unspent at beginning of year			0	0
	Current year receipts			156,444	0
	Conditions met - transferred to revenue			(156,444)	0
	Conditions still to be met - transferred to liabilities (see note 7)			0	0
	This grant was received for the administration and operation of the Housing Company Tshwane.				
20.10	GAUTENG PROVINCIAL GOVERNMENT: HOUSING				
	Balance unspent at beginning of year			0	22,767,419
	Current year receipts			0	0
	Conditions met - transferred to revenue			0	(22,767,419)
	Conditions still to be met - transferred to liabilities (see note 7)			0	0
	This grant was received for the installation of sanitation, water and roads for communal benefit.				
20.11	MAGALIES WATER				
	Balance unspent at beginning of year			0	0
	Current year receipts			8,040	1,348,465
	Conditions met - transferred to revenue			(8,040)	(1,348,465)
	Conditions still to be met - transferred to liabilities (see note 7)			0	0
	This grant was received for the installation of water services for communal benefit.				
20.12	SANDSPRUIT: DEPARTMENT OF WATER AFFAIRS AND FORESTRY				
	Balance unspent at beginning of year			0	0
	Current year receipts			0	15,921,068
	Conditions met - transferred to revenue			0	(15,921,068)
	Conditions still to be met - transferred to liabilities (see note 7)			0	0
	This grant was received for the refurbishment at Klipgat and Temba Waste Water Treatment plants.				
20.13	Changes in levels of government grants				
	Based on the allocations set out in the Division of Revenue Act (Act 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				

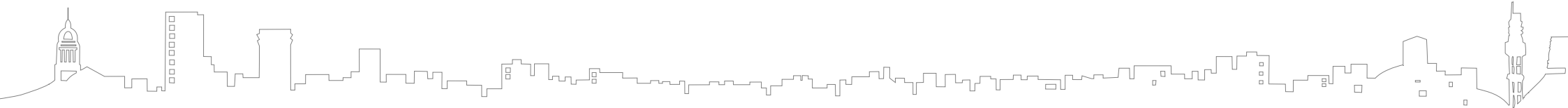


Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
21	OTHER INCOME				
	Drain cleaning fees	1,211,073	1,082,283	1,211,073	1,082,283
	Reconnections fees	62,458,097	19,336,395	62,458,097	19,336,395
	Sewerage fees: Industrial effluent	19,071,458	15,904,897	19,071,458	15,904,897
	Interest on housing sales	12,845,341	7,802,403	12,845,341	7,802,403
	Interest on property sales	3,534,827	5,054,322	3,534,827	5,054,322
	Reminder fees	12,816,235	5,264,524	12,816,235	5,264,524
	Ambulance fees	3,048,946	2,352,944	3,048,946	2,352,944
	Airside income	2,405,526	1,689,516	2,405,526	1,689,516
	Connection fees: Urban areas	7,136,538	6,600,830	7,136,538	6,600,830
	Disconnection investigation fees	0	14,795,291	0	14,795,291
	Cemetery fees	3,662,486	2,473,798	3,662,486	2,473,798
	Fees for relaxation of building line	2,249,467	1,276,604	2,249,467	1,276,604
	Building plan fees	37,801,683	34,807,691	37,801,683	34,807,691
	Library fines	1,091,704	1,148,275	1,091,704	1,148,275
	Restaurant sales	1,590,920	1,489,921	1,590,920	1,489,921
	Sundry fees	4,492,746	11,140,239	4,492,746	11,140,239
	Income from grave services	3,861,237	3,721,529	3,861,237	3,721,529
	Application fees	3,967,200	3,461,865	3,967,200	3,461,865
	Connection fees	22,789,593	22,161,026	22,789,593	22,161,026
	Approval fees: advertisements	18,071,202	11,813,765	18,071,202	11,813,765
	Discount on promp payments	18,986,536	12,337,723	18,986,536	12,337,723
	Market fees	58,483,778	51,263,922	58,483,778	51,263,922
	Lodging fees	1,289,166	1,008,045	1,289,166	1,008,045
	Parking fees: vehicles	2,666,683	2,182,549	2,666,683	2,182,549
	Training fees recovered	8,927,123	16,265,946	8,927,123	16,265,946
	Dumping fees	13,155,331	7,205,581	13,155,331	7,205,581
	Income from bulk containers	26,939,459	24,191,144	26,939,459	24,191,144
	Sale of livestock	15,888	29,361	15,888	29,361
	Sale of stone	3,474,334	4,038,088	3,474,334	4,038,088
	Sale unusable stock	4,656,164	3,359,926	4,656,164	3,359,926
	Sales: Aeroplane fuel	16,402,250	21,822,197	16,402,250	21,822,197
	Transport fees	44,180,382	38,612,706	44,180,382	38,612,706
	Capital income recovered insurance claims	475,510	20,359,957	475,510	20,359,957
	Claims recovered compensation commissioner	12,606,126	11,606,567	12,606,126	11,606,567
	Bad debt recovered	22,625	11,202,755	22,625	11,202,755
	Housing schemes: sale of houses	0	31,250,221	0	31,250,221
	Land sales	43,869,372	10,522,993	43,869,372	10,522,993
	Miscellaneous	43,419,887	150,576,157	138,491,434	262,525,834
	Total other income	523,676,893	591,213,956	618,748,440	703,163,633

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
22 EMPLOYEE RELATED COSTS				
Salaries and wages	1,498,980,113	1,380,012,131	1,532,722,901	1,411,006,227
Contributions to UIF, pensions and medical aids	515,389,693	422,396,813	515,389,693	422,396,813
Overtime payments	120,883,844	107,473,054	120,883,844	107,473,054
Long-service awards	7,671,604	8,114,054	7,671,604	8,114,054
Travel allowance	170,357,918	154,356,772	170,357,918	154,356,772
Housing benefits and allowance	19,697,494	20,723,638	19,697,494	20,723,638
Performance bonus	382,814	369,532	382,814	369,532
Other allowances	78,640,892	67,156,283	78,640,892	67,156,283
Total employee related cost	2,412,004,372	2,160,602,277	2,445,747,160	2,191,596,373
REMUNERATION OF THE MUNICIPAL MANAGER				
<i>(During 2006/07 the Muniipal Manager of the parent was only in office for 6 months)</i>				
Annual remuneration	381,162	705,564	381,162	705,564
Performance bonuses	65,106	163,178	65,106	163,178
Car allowance	120,000	240,000	120,000	240,000
Medical and pension fund contributions	13,860	26,172	13,860	26,172
Total	580,128	1,134,914	580,128	1,134,914
REMUNERATION OF THE CHIEF FINANCIAL OFFICER				
<i>(The CFO of the parent was only appointed on 15 November 2006 at a lower salary package)</i>				
Annual remuneration	476,456	548,447	476,456	548,447
Performance bonuses	0	152,264	0	152,264
Car allowance	88,000	100,000	88,000	100,000
Medical and pension fund contributions	13,544	90,573	13,544	90,573
Total	578,000	891,284	578,000	891,284
REMUNERATION OF STRATEGIC EXECUTIVE OFFICERS				
Annual remuneration:				
Technical services	765,564	1,235,502	765,564	1,235,502
Corporate services	3,395,889	2,384,737	3,395,889	2,384,737
Community services	3,625,428	3,251,601	3,625,428	3,251,601
Performance bonuses:				
Technical services	0	195,861	0	195,861
Corporate services	69,594	254,410	69,594	254,410
Community services	570,283	542,173	570,283	542,173
Car allowance:				
Technical services	90,000	238,800	90,000	238,800
Corporate services	549,146	388,973	549,146	388,973
Community services	506,712	496,086	506,712	496,086
Medical and pension fund contributions:				
Technical services	0	135,606	0	135,606
Corporate services	35,160	48,717	35,160	48,717
Community services	158,664	156,162	158,664	156,162
Total	9,766,440	9,328,628	9,766,440	9,328,628

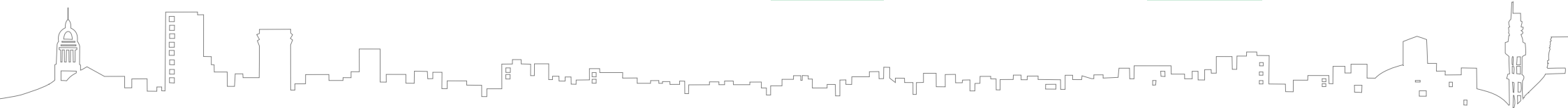


Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
Total:				
Technical services	855,564	1,805,769	855,564	1,805,769
Corporate services	4,049,789	3,076,837	4,049,789	3,076,837
Community services	4,861,087	4,446,022	4,861,087	4,446,022
	9,766,440	9,328,628	9,766,440	9,328,628
23 REMUNERATION OF COUNCILLORS				
Mayor's allowance	294,068	280,764	294,068	280,764
Councillor's allowances	30,160,657	24,608,991	30,160,657	24,608,991
Allowance of the Speaker	0	51,241	0	51,241
Councillor's pension contributions	3,219,512	2,749,668	3,219,512	2,749,668
Travelling allowance	11,532,641	5,989,758	11,532,641	5,989,758
Councillor's medical contributions	739,170	625,186	739,170	625,186
Councillor's housing allowances	0	489,718	0	489,718
Total remuneration of councillors	45,946,048	34,795,326	45,946,048	34,795,326
In-kind Benefits				
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality. According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 40 staff members.				
24 INTEREST PAID				
Long-term liabilities	313,550,043	265,790,172	387,188,062	283,105,853
Bank overdrafts	586,263	839,995	586,296	940,588
Total Interest on External Borrowings	314,136,306	266,630,167	387,774,358	284,046,441
25 BULK PURCHASES				
Electricity	1,460,232,898	1,253,088,580	1,460,729,587	1,253,122,177
Water	670,746,363	599,937,864	676,103,249	575,492,388
Total Bulk Purchases	2,130,979,261	1,853,026,444	2,136,832,836	1,828,614,565
26 GRANTS AND SUBSIDIES PAID				
Grants-in-aid	1,066,397	1,060,000	1,066,397	1,060,000
Donations- SEDA	0	0	0	71,947
Grants-in-aid: Assessment rates	7,325,860	9,165,682	7,325,860	9,165,682
Total Grants and Subsidies Paid	8,392,257	10,225,682	8,392,257	10,297,629
The grant in aid is in respect of the funding of Non Governmental Organisations involved in empowerment programmes for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.				
The Municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in Section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the Municipality in writing, for such grant-in-aid.				
27 GENERAL EXPENSES				
Included in General expenses are the following amounts above R40 million				
Project Linked Housing: Top structures	134,903,365	119,322,077	134,903,365	119,322,077
Rental of property, plant and equipment	106,333,883	87,891,464	106,333,883	87,891,464
Household refuse removal	96,024,704	51,893,667	96,024,704	51,893,667
Service providers	76,976,217	64,385,764	76,976,217	64,385,764
Insurance premiums and excesses	65,634,075	151,110,905	65,634,075	151,110,905
Telecommunication	60,019,644	46,472,166	60,019,644	46,472,166
Private sector labour	58,427,175	55,160,295	58,427,175	55,160,295
Special projects	53,149,572	32,716,608	53,149,572	32,716,608
Restructuring/Transformation	48,371,166	41,745,871	48,371,166	41,745,871
Rental of property	47,980,620	50,226,202	47,980,620	50,226,202
Watchmen services	45,734,451	34,338,652	45,734,451	34,338,652
Implementation: OITPS	42,983,067	0	42,983,067	0
	836,537,939	735,263,671	836,537,939	735,263,671

Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
28	CASH GENERATED BY OPERATIONS				
	Net surplus for the year	316,319,629	570,921,729	246,535,384	611,558,417
	Adjustment for:-				
	Depreciation	558,584,032	510,951,723	598,373,961	536,271,862
	Depreciation corrections	0	2,353,110	0	2,353,110
	Depreciation on disposals, transfers and adjustments	0	(7,134,143)	0	(7,134,143)
	Gain on disposal of property, plant and equipment	(20,915,400)	(12,992,300)	(20,915,400)	(12,992,300)
	Gain on disposal of investment (liquidation of municipal entities)	0	(9,239,965)	0	(9,239,965)
	Contribution to Provision for Clearing up Alien Vegetation	6,292,554	2,869,225	6,292,554	2,869,225
	Expenditure: Provision for Clearing up Alien Vegetation	(3,898,629)	0	(3,898,629)	0
	Correction: Provision for bad debt housing	0	(41,779,882)	0	(41,779,882)
	Contribution to bad debt provision	106,752,294	163,427,961	20,894,086	401,201,457
	Provision for audit fees	0	0	0	0
	Previous year operating transactions	0	0	0	(110,882)
	Transfer to reserves			101,059	
	Liquidation of municipal entity	0	0	825,151	0
	Beneficiary distribution	0	0	0	0
	Investment income	(134,186,955)	(103,544,892)	(154,277,171)	(113,798,238)
	Interest paid	314,136,306	266,630,167	387,774,358	284,046,441
	Operating surplus before working capital changes:	1,143,083,831	1,342,462,733	1,081,705,353	1,653,245,102
	Decrease/(Increase) in inventories	(57,478,614)	50,202,086	(84,990,324)	34,235,940
	(Increase)/decrease in debtors	(109,337,219)	(259,278,799)	(4,419,700)	(510,684,280)
	(Increase)/decrease in other debtors	(15,144,431)	(1,743,764)	43,912,168	(10,216,556)
	(Decrease)/increase in conditional grants and receipts	34,491,069	(11,063,068)	34,491,069	(11,164,126)
	Increase/(Decrease) in provisions	0	0	(2,141,063)	4,459,531
	Increase/(decrease) in creditors	172,516,718	(39,375,385)	173,448,663	36,433,363
	Increase/ (Decrease) in VAT	(108,567,906)	71,269,437	(128,542,405)	94,751,001
	Cash generated from operations	1,059,563,448	1,152,473,240	1,113,463,761	1,291,059,975
29	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position				
	Bank balances and cash	69,349,269	18,812,232	261,100,667	240,360,187
	Call investment deposits	558,674,497	375,568,880	614,937,475	375,568,880
	Bank overdraft	(46,002,138)	(29,715,301)	(45,996,478)	(29,721,144)
	Total cash and cash equivalents	582,021,628	364,665,811	830,041,664	586,207,923

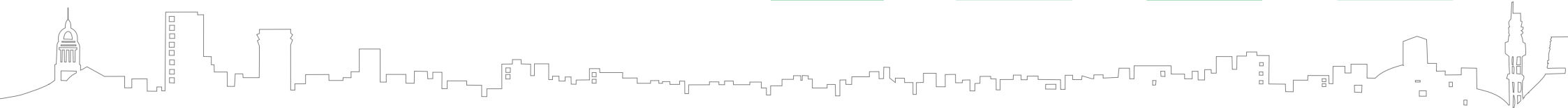


Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (see Note 2)	2,834,595,467	2,197,367,109	2,834,595,467	2,197,367,109
Used to finance property, plant & equipment - at cost	2,717,572,357	1,931,694,790	2,717,572,357	1,931,694,790
Sub Total	117,023,110	265,672,319	117,023,110	265,672,319
Cash set aside for the repayment of long-term liabilities	634,478,486	559,653,150	634,478,486	559,653,150
Cash invested for repayment of long-term liabilities (see Note 16)	(517,455,376)	(293,980,831)	(517,455,376)	(293,980,831)
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
31.1 Contributions to organized local government				
Opening balance	69,522	69,771	69,522	69,771
Council subscriptions	935,819	832,788	935,819	832,788
Amount paid - current year	(857,090)	(763,266)	(857,090)	(763,266)
Amount paid - previous years	(69,522)	(69,771)	(69,522)	(69,771)
Balance unpaid (included in creditors)	78,729	69,522	78,729	69,522
31.2 Audit fees				
Opening balance	0	(785,710)	(39,053)	(828,747)
Current year audit fee	8,692,761	3,192,349	7,678,195	2,729,024
Amount paid - current year	(6,881,599)	(3,192,349)	(5,942,033)	(2,754,024)
Amount paid - previous years	0	785,710	39,053	814,694
Balance unpaid (included in creditors)	1,811,162	0	1,736,162	(39,053)
The balance is with regard to the 2005/06 financial year and was paid in July 2007				
31.3 VAT				
VAT inputs receivables and VAT outputs receivables are shown in note 8.				
All VAT returns have been submitted by the due date throughout the financial year.				
31.4 PAYE AND UIF				
Opening balance	25,601,727	25,831,261	25,601,727	26,715,862
Current year payroll deductions	330,757,910	319,487,165	353,550,300	323,500,051
Amount paid - current year	(302,747,115)	(293,885,437)	(325,538,287)	(297,898,323)
Amount paid - previous years	(25,601,727)	(25,831,262)	(25,601,727)	(25,934,217)
Balance unpaid (included in creditors)	28,010,795	25,601,727	28,012,013	26,383,373
31.5 Pension and Medical aid deductions				
Opening balance	0	0	0	0
Current year payroll deductions and council contributions	646,873,547	603,264,638	646,873,547	603,264,638
Amount paid - current year	(646,873,547)	(603,264,638)	(646,873,547)	(603,264,638)
Amount paid - previous years	0	0	0	0
Balance unpaid (included in creditors)	0	0	0	0
Amounts of 2005/06 was restated in respect of the parent due to a duplication that was only picked up in 2006/07				

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
31.6 Councillor's arrear consumer accounts				
AMOUNTS OUSTANDING FOR MORE THAN 90 DAYS:				
Aucamp M G W	6,872	0	6,872	0
Blaauw M P	8,585	0	8,585	0
Buthlezi M M	48,779	0	48,779	0
Dlamini S S	0	365	0	365
Dzumba K Y	12,741	0	12,741	0
Huma S E	0	3,368	0	3,368
Isabel Peach Family Trust	0	18,644	0	18,644
Joubert J H	0	1,354	0	1,354
Kekana K C	848	2,424	848	2,424
Kgashane S	27,159	0	27,159	0
Kwenda L H	179	0	179	0
Ledwaba D C	3,694	0	3,694	0
Makola M A	11,325	0	11,325	0
Mamabolo C S	0	8,706	0	8,706
Moagi C M	1,527	0	1,527	0
Modisakeng T B	0	340	0	340
Mogaladi M J	214	0	214	0
Mokoele D P	0	56,826	0	56,826
Monnamorwa D K S	0	9,224	0	9,224
Morudi M S	4,754	0	4,754	0
Motobatse M M	0	1,585	0	1,585
Mthetwa D	4,724	0	4,724	0
Naid A T	304	0	304	0
Ndoko E N	506	0	506	0
Ndoko G	0	3,496	0	3,496
Nkuna G & MM	0	8,547	0	8,547
Nkwashu M S	332	0	332	0
Ramokgopa K D	5,786	0	5,786	0
Segabutla L O	684	0	684	0
Seoketsa G	27,750	24,118	27,750	24,118
Total	166,763	138,998	166,763	138,998
COUNCILLORS WITH PAYOFF ARRANGEMENTS:				
Campbell A W	1,426	0	1,426	0
Dzumba K Y	1,566	0	1,566	0
Feldman J D	23,678	0	23,678	0
Huma S E	5,727	0	5,727	0
Khubeka K E & M M	0	24,333	0	24,333
Kutumela Jan	5,293	0	5,293	0
Kutumela M J	2,141	10,430	2,141	10,430
Mamabolo C S	6,714	0	6,714	0
Matjokane N Y	57,198	0	57,198	0
Morudi M S	9,470	0	9,470	0
Mthetwa D	3,728	0	3,728	0
Rambau T V	3,605	0	3,605	0
Ramokgopa G M	832	0	832	0
Segabutla L O	520	0	520	0
Swarts A P	1,664	0	1,664	0
Theron D P	5,260	0	5,260	0
Thipe S S	3,037	0	3,037	0
Thobejane P T M	2,457	0	2,457	0
Vilakazi N E	0	25,942	0	25,942
Total	134,316	60,705	134,316	60,705



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
TOTAL AMOUNT OUTSTANDING:				
Aucamp M G W	6,872	0	6,872	0
Blaauw M P	8,585	0	8,585	0
Buthelezi M M	48,779	0	48,779	0
Campbell A W	1,426	0	1,426	0
Dlamini S S	0	365	0	365
Dzumba K Y	14,307	0	14,307	0
Feldman J D	23,678	0	23,678	0
Huma S E	5,727	3,368	5,727	3,368
Isabel Peach Family Trust	0	18,644	0	18,644
Joubert J H	0	1,354	0	1,354
Kekana K C	848	2,424	848	2,424
Kgashane S	27,159	0	27,159	0
Khubeka K E & M M	0	24,333	0	24,333
Kutumela Jan	5,293	0	5,293	0
Kutumela M J	2,141	10,430	2,141	10,430
Kwenda L H	179	0	179	0
Ledwaba D C	3,694	0	3,694	0
Makola M A	11,325	0	11,325	0
Moagi C M	1,527	0	1,527	0
Mogaladi M J	214	0	214	0
Morudi M S	14,224	0	14,224	0
Mamabolo C S	6,714	8,706	6,714	8,706
Matjokana N Y	57,198	0	57,198	0
Modisakeng T B	0	340	0	340
Mokoefe D P	0	56,826	0	56,826
Monnamorwa D K S	0	9,224	0	9,224
Motobatse M M	0	1,585	0	1,585
Mthewa D	8,452	0	8,452	0
Naid AT	304	0	304	0
Ndoko E N	505	0	505	0
Ndoko G	0	3,496	0	3,496
Nkuna G & MM	0	8,547	0	8,547
Nkwashu M S	332	0	332	0
Rambau T V	3,605	0	3,605	0
Ramokgopa G M	832	0	832	0
Ramokgopa K D	5,786	0	5,786	0
Segabutla L O	1,204	0	1,204	0
Seoketsa G	27,750	24,118	27,750	24,118
Swarts A P	1,664	0	1,664	0
Theron D P	5,260	0	5,260	0
Thipe S S	3,037	0	3,037	0
Thobejane P T M	2,457	0	2,457	0
Vilakazi N E	0	25,942	0	25,942
Total arrear consumer accounts	301,078	199,703	301,078	199,703

Information regarding arrear accounts for more than 90 days of Councillors during the financial year is not available.

Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
32	CAPITAL COMMITMENTS				
	Commitments in respect of capital expenditure (budgeted amounts next financial year):				
	- Approved and contracted for	1,940,572,750	1,414,399,500	1,940,572,750	1,414,399,500
	Infrastructure	1,489,453,000	975,024,500	1,489,453,000	975,024,500
	Community	95,012,000	76,972,000	95,012,000	76,972,000
	Other	124,847,750	109,080,000	124,847,750	109,080,000
	Housing	231,260,000	253,323,000	231,260,000	253,323,000
	- Approved but not contracted for	375,267,250	310,367,500	375,267,250	310,367,500
	Infrastructure	321,887,250	139,375,000	321,887,250	139,375,000
	Community	30,900,000	137,665,000	30,900,000	137,665,000
	Other	7,480,000	33,327,500	7,480,000	33,327,500
	Investment property	2,000,000	0	2,000,000	0
	Housing	13,000,000	0	13,000,000	0
		2,315,840,000	1,724,767,000	2,315,840,000	1,724,767,000
	This expenditure will be financed from:				
	- Council Own Funding (External loans and/or Capital replacement reserve)	1,516,940,000	1,200,000,000	1,516,940,000	1,200,000,000
	- Provincial grants	223,610,000	20,100,000	223,610,000	20,100,000
	- Government Housing	303,782,000	273,723,000	303,782,000	273,723,000
	- MIG	234,108,000	205,944,000	234,108,000	205,944,000
	- National Electrification Fund	37,400,000	25,000,000	37,400,000	25,000,000
		2,315,840,000	1,724,767,000	2,315,840,000	1,724,767,000
33	RETIREMENT BENEFIT INFORMATION				
33.1	PENSION FUNDS				
	Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.				
	DEFINED CONTRIBUTION PLANS (AS CLASSIFIED BY THE RELEVANT FUND):				
33.1.1	The Tshwane Municipal Provident Fund, which is a defined contribution plan and subject to the Pension Funds Act of 1956. The fund is not required to be actuarially valued. No benefits can be unfunded and the Municipality therefore has no commitment in this regard. 2 261 (19,08 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	78,931,464	not available	78,931,464	not available
33.1.2	The Councillors of the City of Tshwane Metropolitan Municipality are members of the Pension Fund for Municipal Councillors which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988. The actuarial valuation carried out on 30 June 2006 reported the fund to be in a sound financial position. 109 (0,92 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	6,114,079	not available	6,114,079	not available
33.1.3	The National Fund for Municipal Workers is a defined contribution plan and there is no statutory requirements to do an actuarial valuation. The Municipality has no commitment to finance any deficit. The latest voluntary actuarial valuation as at 30 June 2005 reported the fund to be in a sound financial position. 3 240 (27,34 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	134,875,445	not available	134,875,445	not available
33.1.4	SALA Provident Fund is a defined contribution plan. An actuarial valuation is carried out every 3 years. The Municipality has no commitment to finance any deficit. The actuarial valuation performed on 30 June 2004 reported the fund to be financially sound. 97 (0,82 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	941,353	not available	941,353	not available
33.1.5	SAMWU National Provident Fund is a defined contribution fund. The fund is subject to actuarial valuation. The fund is not underwritten. The actuarial valuation performed on 30 June 2006 reported the fund to be in a sound financial position. 984 (8,30 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	22,739,165	not available	22,739,165	not available
33.1.6	The Germiston Municipal Retirement Fund is a defined contribution plan and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 June 2006 reported the fund to be in a sound financial position. 3 (0,03 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	163,310	not available	163,310	not available

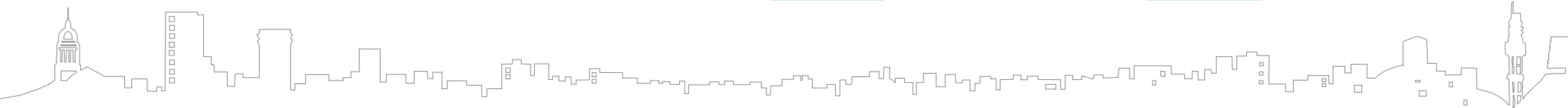


Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
33.1.7 Meshawu National Local Authorities Retirement Fund is a defined contribution plan (established on 1 August 1996) and is governed by the Pension Funds Act of 1956. The actuarial valuation done on 31 January 2001 reported the fund to be in a sound financial position with a funding level of 118.8 %. 63 (0.53 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	1,187,310	not available	1,187,310	not available
33.1.8 Municipal Gratuity Fund. This is a defined contribution plan which is governed by the Pension Funds Act of 1956. The Municipality has no commitment to meet unfunded benefits. The actuarial valuation is carried out every 2 years. The actuarial valuation done on 30 June 2004 showed the fund to be in a sound financial position. 1 463 (12,35 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	47,420,095	not available	47,420,095	not available
DEFINED BENEFIT PLANS (AS CLASSIFIED BY THE RELEVANT FUNDS):				
33.1.9 Tshwane Municipal Pension Fund, which is a defined benefit plan and is governed by the Pension Funds Act of 1956. The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100 % as at 31 December 2006. 469 (3,96%) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	22,327,388	not available	22,327,388	not available
33.1.10 SALA Pension Fund is a private fund. The actuarial valuation is carried out annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 994 (8,39 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	24,348,071	not available	24,348,071	not available
33.1.11 The Government Employees Pension Fund is a defined benefit plan and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2004 reported the fund to be in a sound financial position with a funding level of 96,5 %. 216 (1,82 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	4,831,406	not available	4,831,406	not available
33.1.12 Joint Municipal Pension Fund is not a pure defined benefit fund, but is a hybrid fund (which has qualities of both a defined benefit and defined contribution fund) and is governed by the Pension Funds Act of 1956. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 December 2005 reported a funding level of 97,7 % resulting in a shortfall of R44,237 million. The Municipality's employees make up approximately 1,78 % of the total membership. The Municipality's possible liability with regard to unfunded benefits is calculated to be R4 737 363. 74 (0,63 %) of the Municipality's employees are members of this fund. The total contributions, which are in terms of the rules of the plan (included in Employee remuneration, note 22) amount to-	3,258,823	not available	3,258,823	not available
33.1.13 Municipal Employees Pension Fund is a defined benefit plan and is governed by the Pension Funds Act of 1956. The actuarial valuation performed on 28 February 2005 reported the fund to be in a sound financial position with a funding level of 106,9 %. 1 876 (15,83%) of the Municipality's employees are members of this fund. The total contributions which are in terms of the rules of the plan (included in Employee remuneration, note 21) amount to-	40,958,555	not available	40,958,555	not available
33.2 MEDICAL AID FUNDS				
The erstwhile City Council of Pretoria and Town Council of Centurion had resolved to continue subsidising employees who retire whilst being members of Global Health and Munimed respectively. This liability was confirmed by the Section 12 Notice in terms of the Structures Act, 1998. The liability only applies to employees from these two erstwhile councils who retire as members of the undermentioned medical schemes. The total contributions are included in Employee remuneration, note 22)	29,488,485	24,479,353	29,488,485	24,479,353
Global Health (1 540 pensioners)	26,479,908		26,479,908	
Munimed (125 pensioners)	3,008,577		3,008,577	
TOTAL CONTRIBUTIONS (Included in Employee remuneration - note 22)	417,586,956	not available	417,586,956	not available
34 CONTINGENT LIABILITIES				
34.1 HOUSING LOANS				
Guarantees for housing loans to employees at financial institutions	2,237,322	2,759,796	2,237,322	2,759,796
With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default on payments				
34.2 INDEMNIFICATION				
Value of investments ceded to the Workmen's Compensation Commissioner in compliance with the requirements of the Compensation for Occupational Injuries and Diseases Act, 1993.	24,357,428	20,801,187	24,357,428	20,801,187
The capitalised value as at 31 December 2006 as calculated by the Department of Labour amounted to Consistent with prior years the amendment to the cession will be addressed in the following financial year	27,392,475	24,357,428	27,392,475	24,357,428

Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
34	CONTINGENT LIABILITIES (continued)				
34.3	INSURANCE CLAIMS				
	Pending claims against the Municipality in respect of vehicle accidents and Public Liabilities which originated before 30 June. The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R128.6 million.	61,382,669	76,783,015	61,382,669	76,783,015
34.4	RETIREMENT OF REDUNDANT EMPLOYEES				
	The retirement of redundant employees resulted in the following estimated long term liabilities (these liabilities are budgeted for annually):				
	*Pension fund contribution with regard to all employees who received packages and who qualify for a monthly pension up to the approved age of retirement.	69,995,000	60,893,000	69,995,000	60,893,000
	*Sick fund contribution payable to Pretmed with regard to all employees who received packages and who are deemed to be full members of the fund up to the approved age of retirement.	44,593,000	44,834,675	44,593,000	44,834,675
34.5	ENTERPRISE SOUTH AFRICA (Section 21 Company)				
	The company failed to register for VAT when it was founded in 1999. The company will be liable for output VAT of approximately R1 013 000, excluding possible interest and penalties. The company will be able to claim input tax on its qualifying expenses, but the amount cannot be determined at this time (the saving as a result of the input tax will not be significant).				
35	IN-KIND DONATIONS AND ASSISTANCE				
	The Municipality received the following in-kind donations and assistance Description: - Secondment of International Finance Advisor by National Treasury				
36	PRIVATE PUBLIC PARTNERSHIPS				
	The City of Tshwane had only one such partnership, i.e. Tswaiing Electrical Project (Pty) Ltd. The liquidation of this company was started during the 2004/5 financial year. The liquidation process was finalised during 2005/6				
37	EVENTS AFTER THE REPORTING PERIOD				
	No material events occurred with respect to the 2006/07 financial year				
37.1	External loans				
	DBSA: Loan at 5 % (nacs) Targeted Infrastructure Programme (TIP)	0	100,000,000	0	100,000,000
	DBSA: Loan at 121.5 basis points over the R156 (Government Bond rate)	0	400,000,000	0	400,000,000
	Ivuzi Annuity loan at 13,5 %	0	200,000,000	0	200,000,000
	The offer of the R100 million is conditional on the R400 million being accepted. The term is 15 years from date of disbursement. The loan is amortised over the period of the loan. The repayment is six-monthly (nacs) This will be an unsecured loan.				
	Roodeplaat Temba Water Services Trust: The City of Tshwane has taken the decision to terminate the Trust. The indicative date for the termination is set at 28 February 2008. Arrangements are in process to transfer all business assets to CoT which will take over the business of the Trust. Commitments: The Trust entered into a lease agreement with CoT by which the Roodeplaat Plant property is leased from CoT. The lease is classified as an operating lease and the Trust has a commitment to make the following two (2) payments in the next financial year: 31 December 2007 = R246 735.00 and 30 June 2008 = R252 811.00				
38	COMPARISON WITH THE BUDGET				
	The comparison of the actual financial performance with that budgeted is set out in Appendices E, F and G				

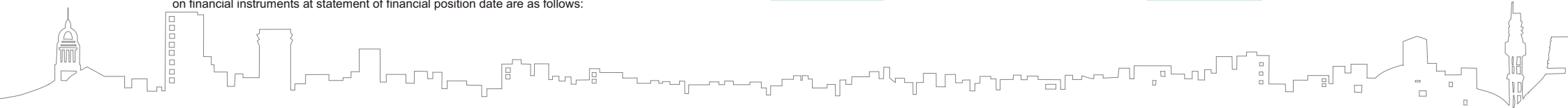


Notes to the Consolidated Annual Financial Statements (continued)

	DESCRIPTION	MUNICIPALITY		GROUP	
		2007	2006	2007	2006
		R	R	R	R
39	DIRECTORS EMOLUMENTS				
39.1	Civirelo Water				
	Paid by company for services as directors			521,850	172,000
39.2	Housing Company Tshwane				
	Paid by company for services as directors			0	66,500
	Expense allowances			0	6,000
40	RELATED PARTY DISCLOSURES				
40.1	Parent				
	The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.				
40.1.1	Transactions between related parties				
	Tshwane Centre for Business Information and Support (Cenbis) parent is the CoT. Details and amounts of the transactions are as follows:				
	Received RSC Levies		6,870	0	6,870
	Civirelo Water's parent is the CoT. Details and amounts of the transactions are as follows:				
	Received RSC Levies		119,286	0	119,286
	Creditors	1,860,802	74,581,306	1,860,802	74,581,306
	Water sales	40,976,503	71,147,640	40,976,503	71,147,640
	Housing Company Tshwane's parent is the CoT. Details and amounts of the transactions are as follows:				
	Received RSC Levies	0	6,769	0	6,769
	Received Electricity and Water sales	562,558	270,888	562,558	270,888
	Paid General Expenses	156,444	0	156,444	0
	Debtors transferred	0	4,576,464	0	4,576,464
	Roodeplaat Temba Water Services Trust's parent is the CoT. Details and amounts of the transactions are as follows:				
	Received RSC Levies	0	122,638	0	122,638
	Paid Water (water sales to CoT)	104,212,872	89,604,011	104,212,872	89,604,011
	Beneficiary distribution	25,000,000	20,000,000	25,000,000	20,000,000
	Paid General Expenses	0	1,720,000	475,727	1,720,000
	Grant received	0	2,009,123	0	2,009,123
	Interest - finance lease	4,718,102	2,752,438	4,718,102	2,752,438
	Lease charges	475,727	704,630	475,727	704,630
	Accounts receivable	12,149,142	12,504,886	12,149,142	12,504,886
	Accounts payable	4,112,185	0	4,112,185	0
	Deferred operating lease liabilities	1,873,039	1,644,136	1,873,039	1,644,136
	Finance lease liabilities	28,113,989	25,021,351	28,113,989	25,021,351
	Roodeplaat Temba Water Services Trust: Transactions with Magalies Water				
	Production overheads, accounts payable, accounts receivable, etc			34,383,373	29,027,128
	Roodeplaat Temba Water Services Trust: Transactions with ABSA Corporate and Merchant Bank				
	Interest received			13,636,652	547,800
	Interest paid			30,442,816	7,564,880
	Bank charges			1,165,444	547,724
	Capitalised interest/acrued interest			0	18,446,580
	Long-term loan			234,079,776	239,999,094
	Sandspruit Works Association Division: ODI Water Sales' parent is the CoT. Details and amounts of the transactions are as follows:				
	Received RSC Levies	0	337,993	0	337,993
	Paid Water	50,983,935	63,801,855	50,983,935	63,801,855
	Sundry creditor (water)	0	9,822,644	0	9,822,644
	Received water	20,382,060	0	20,382,060	0
	Operating loss account	4,112,685	4,398,120	4,112,685	4,398,120
	Trade Point Pretoria's parent is the CoT. Details and amounts of the transactions are as follows:				
	Paid General Expenses	0	191,102	0	191,102

Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	MUNICIPALITY		GROUP	
	2007	2006	2007	2006
	R	R	R	R
40.1.2 No transactions between related parties				
No transactions took place between the City of Tshwane Metropolitan Municipality and the entities listed below as the entities were dormant for a number of years and therefore did not engage in any financial transactions. Further these entities did not compile financial statements. The legal status of the entities currently is as follows:				
Companies were deregistered in terms of Government Gazette No 29773 of 13 April 2006:				
The Centurion Community Protection Company				
Tswaing Crater Museum				
Greater Pretoria Safety & Security Association				
Lebone Municipal Finance Corporation				
Greater Pretoria Metro Festival Company				
Prelight (Pty) Ltd				
Tswaing Water & Sanitation Services				
Tswaing Environmental Health Services (Pty) Ltd				
Greater Pretoria Metro Festival				
Moreletakloof Conservation Company				
Pretoria Inner City Association				
Tswaing Civil Projects (Pty) Ltd				
Tswaing Waste Removal Services				
Rep-Ba Agi				
Biz Africa 372				
Jacaranda Carnival - Duplicated - is the same company as National Youth Festival				
National Youth Festival				
The following company was liquidated:				
Tswaing Electricity Project Management (Pty) Ltd (final liquidation completed during 2005/06)				
Other companies not consolidated:				
Museum Park :				
Currently has an agreement with the City of Tshwane Metropolitan Municipality for the rental of the parking lot at City Hall to generate income for the entity. The entity submitted financial statements for the year ended 28 February 2006. These financial statements were, however not consolidated due to the following:				
<ul style="list-style-type: none"> • The directors are not councilors or employees of the Municipality • According to the financial statements no income was received from the Municipality from 1 March 2005 to 28 February 2006 • The entity does not consist only of City of Tshwane Metropolitan Municipality museums but national museums and other projects • The Municipality does not have any shareholding/relationship in the entity • The difference between the reporting dates is more than 3 months as stipulated in the Specimen Consolidated Municipal Annual Financial Statements dated September 2006. 				
41 PRIOR YEAR ADJUSTMENTS (Refer to Statement of Changes of Parent)				
Revenue of the 2005/06 financial year was adjusted in respect of:				
RSC levies - increase in revenue and creating of debtor	250,958,343		160,950,691	
Training fees recovered amount only allocated to revenue in 2006/07 but received in 2005/06	1,711,273		1,711,273	
Write back of the provision for obsolete stock	2,900,000		2,900,000	
Total prior year adjustment	255,569,616		165,561,964	
42 INTERNAL COST				
Repairs and maintenance:				
External	727,352,320	674,270,199	727,352,320	674,270,199
Total	1,325,085,430	1,095,350,905	1,325,085,430	1,095,350,905
Less: Internal	597,733,110	421,080,706	597,733,110	421,080,706
General expenses:				
External	1,837,798,359	1,743,872,341	1,837,798,359	1,743,872,341
Total	2,628,171,254	2,607,982,555	2,628,171,254	2,607,982,555
Less: Internal	790,372,895	864,110,214	790,372,895	864,110,214
43 FINANCIAL INSTRUMENTS				
43.1 Risks				
In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.				
43.1.1 Interest rate risk				
The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:				



Notes to the Consolidated Annual Financial Statements (continued)

DESCRIPTION	FIXED RATE				NON-INTEREST BEARING		Total R
	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	
43 FINANCIAL INSTRUMENTS (continued)							
43.1.1 Interest rate risk (continued)							
Year ended 30 June 2007							
Assets:							
Investments	424,973,396	544,985,009	14.36	13.55			969,958,405
Long-term receivables:							
Housing loans		103,434,420	13.87	30			103,434,420
Motor car loans		8,080,676	8.61	6			8,080,676
Loans to sport clubs		1,729,108	11.99	10			1,729,108
Study loans					15,611	1	15,611
Sale of Land		69,882,328	11.09	5			69,882,328
Samrand Development (Pty) Ltd					18,152,563		18,152,563
Trade receivables:							
Consumer		1,932,654,004	10.5	1	1,213,886,365		3,146,540,369
Other					300,248,462		300,248,462
Cash	69,349,269						69,349,269
Total financial assets	494,322,665	2,660,765,545			1,532,303,001		4,687,391,211
Liabilities							
Interest bearing borrowings	192,331,528	2,317,263,939	11.31	15.49			2,509,595,467
Interest rate swaps	125,000,000	200,000,000	19.13	17.79			325,000,000
Trade payables:							
Creditors					1,749,841,111	0.08	1,749,841,111
Retention					80,391,743	1	80,391,743
Consumer deposits					257,579,090	0.08	257,579,090
Unspent grants and receipts					210,990,931	0.08	210,990,931
VAT					52,402,061	0.08	52,402,061
Bank overdrafts	46,002,138						46,002,138
Total financial liabilities	363,333,666	2,517,263,939			2,351,204,936		5,231,802,541
	130,988,999	143,501,606			(818,901,935)		(544,411,330)
Year ended 30 June 2006							
Assets:							
Investments	380,274,510	477,837,207	14.33	13.55			858,111,717
Long-term receivables:							
Housing loans		97,667,736	13.88	30			97,667,736
Motor car loans		20,383,146	8.61	6			20,383,146
Loans to sport clubs		1,786,494	6.77	10			1,786,494
Study loans					26,917	1	26,917
Sale of Land		64,217,013	9.89	5			64,217,013
Samrand Development (Pty) Ltd					18,152,563		18,152,563
Trade receivables:							
Consumer		2,269,954,236	10.5	1	689,715,136		2,959,669,372
Other					267,821,941		267,821,941
Cash	18,812,232						18,812,232
Total financial assets	399,086,742	2,931,845,832			975,716,557		4,306,649,131
Liabilities							
Interest bearing borrowings	206,447,858	1,666,695,063	14.17	15.04			1,873,142,921
Interest rate swaps	125,000,000	200,000,000	19.13	17.79			325,000,000
Trade payables:							
Creditors					1,589,424,708	0.08	1,589,424,708
Retention					68,291,428	1	68,291,428
Consumer deposits					236,092,389	0.08	236,092,389
Unspent grants and receipts					176,499,862	0.08	176,499,862
VAT					166,782,350	0.08	166,782,350
Bank overdrafts	29,715,301						29,715,301
Total financial liabilities	361,163,159	1,866,695,063			2,237,090,737		4,464,948,959
	37,923,583	1,065,150,769			(1,261,374,180)		(158,299,828)

Notes to the Consolidated Annual Financial Statements (continued)

43 FINANCIAL INSTRUMENTS (continued)

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts.

The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

	Date	Fixed rate	Fair value	Estimated fair value gain/(loss)
		%	R	R
Year ended 30 June 2007	30 June 1998	17.55	125,000,000	10,374,232
	19 January 1994	19.13	200,000,000	(20,136,827)
			325,000,000	(9,762,595)
Year ended 30 June 2006	30 June 1998	17.55	125,000,000	11,180,757
	19 January 1994	19.13	200,000,000	(20,136,827)
			325,000,000	(8,956,070)

43.1.2 Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

43.1.3 Credit risk

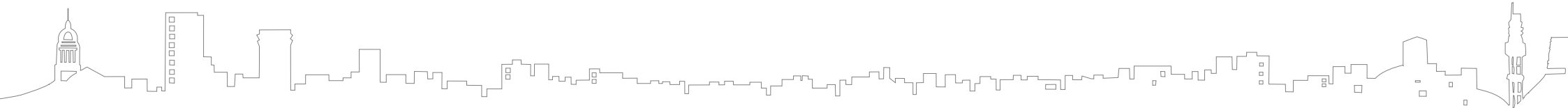
Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	30 June 2007 %	30 June 2006 %
Consumer debtors:		
Household	59.4	65.2
Industrial/Commercial	23.6	18.6
National and Provincial Government	2.1	1.7
Other consumer debtors	6.1	6.3
Other debtors:		
Housing	0.3	0.2
Government subsidies	0.2	0.1
RSC levies	0.1	2.3
Amounts paid in advance	1.5	0.0
Other	6.7	5.6
	100.0	100.0



Notes to the Consolidated Annual Financial Statements (continued)

43 FINANCIAL INSTRUMENTS (continued)

43.1.4 Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

	30 June 2008	30 June 2009	30 June 2010
	R	R	R
External funding: capital expenditure	500,000,000	450,000,000	400,000,000

43.1.5 Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

43.2 Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading.

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. The fair value of financial liabilities at statement of financial position date are as follows:

Year ended	Fair value	Carrying amount
	R	R
30 June 2007:		
Liabilities		
Interest rate swaps	325,000,000	325,000,000
30 June 2006:		
Liabilities		
Interest rate swaps	325,000,000	325,000,000

Notes to the Consolidated Annual Financial Statements (continued)

43 FINANCIAL INSTRUMENTS (continued)

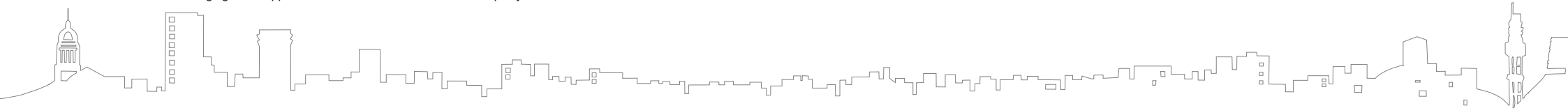
43.3 Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

	1 Year or less	1 to 5 years	Over 5 years	Total
	R	R	R	R
Year ended 30 June 2007:				
Assets:				
Investments	558,674,498	327,427,539	83,856,368	969,958,405
Long-term receivables:				
Housing loans			103,434,420	103,434,420
Motor car loans		8,080,676		8,080,676
Loans to sport clubs			1,729,108	1,729,108
Study loans	15,611			15,611
Sale of Land		69,882,328		69,882,328
Samrand Development (Pty) Ltd			18,152,563	18,152,563
Trade receivables:				
Consumer	2,925,944,652	220,595,717		3,146,540,369
Other	300,248,462			300,248,462
Cash	69,349,269			69,349,269
Total financial assets	3,854,232,492	625,986,260	207,172,459	4,687,391,211
Liabilities				
Interest bearing borrowings	30,005,000	349,612,242	2,129,978,225	2,509,595,467
Interest rate swaps	125,000,000	200,000,000		325,000,000
Trade payables:				
Creditors	1,749,841,111			1,749,841,111
Retention	80,391,743			80,391,743
Consumer deposits	257,579,090			257,579,090
Unspent grants and receipts	210,990,931			210,990,931
VAT	52,402,061			52,402,061
Bank overdrafts	46,002,138			46,002,138
Total financial liabilities	2,552,212,074	549,612,242	2,129,978,225	5,231,802,541
Year ended 30 June 2006:				
Assets:				
Investments	375,989,527	364,226,067	117,896,123	858,111,717
Long-term receivables:				
Housing loans			97,667,736	97,667,736
Motor car loans		20,383,146		20,383,146
Loans to sport clubs			1,786,494	1,786,494
Study loans	26,917			26,917
Sale of Land		64,217,013		64,217,013
Samrand Development (Pty) Ltd			18,152,563	18,152,563
Trade receivables:				
Consumer	2,816,607,434	143,061,938		2,959,669,372
Other	267,821,941			267,821,941
Cash	18,812,232			18,812,232
Total financial assets	3,479,258,051	591,888,164	235,502,916	4,306,649,131
Liabilities				
Interest bearing borrowings	1,280,812	373,000,000	1,498,862,109	1,873,142,921
Interest rate swaps	0	125,000,000	200,000,000	325,000,000
Trade payables:				
Creditors	1,589,424,708			1,589,424,708
Retention	68,291,428			68,291,428
Consumer deposits	236,092,389			236,092,389
Unspent grants and receipts	176,499,862			176,499,862
VAT	166,782,350			166,782,350
Bank overdrafts	29,715,301			29,715,301
Total financial liabilities	2,268,086,850	498,000,000	1,698,862,109	4,464,948,959

43.4 Hedging

Hedging is not applicable in the environment of the Municipality.



Appendix A Schedule of external loans as at 30 June 2007 : Parent

				Opening balance	Received during the year	Redeemed during the year	Closing balance	Carrying value of Property, Plant & Equipment	Other Costs in accordance with the MFMA	
				R	R	R	R	R	R	
EXTERNAL LOANS:										
LOCAL REGISTERED STOCK:										
Issued	Loan number	Interest rate (%)	Redeemable							
1997	105	16.65	2014.06.30	94,729,851	367,789		95,097,640	91,171,640		
1993	104	14.15	2008.09.30	40,000,000			40,000,000	38,348,644		
1984	43	16.25	2004.04.30	5,000			5,000	4,794	Not	
1990	55	16.40	2011.06.30	14,768,034	(44,884)		14,723,150	14,115,321	Applicable	
1992	62	13.50	2011.06.30	21,258,263	(271,307)		20,986,956	20,120,533		
1993	63	14.00	2011.06.30	35,019,664	882,472		35,902,136	34,419,956		
1997	65	15.75	2011.06.30	50,000,000			50,000,000	47,935,806		
2000	66	16.50	2011.06.30	59,000,000			59,000,000	56,564,250		
TOTAL LOCAL REGISTERED STOCK				314,780,812	934,070	0	315,714,882	302,680,944		
TERM LOANS:										
DBSA: Bullet portion		13.50	2018.04.30	50,000,000			50,000,000	47,935,806		
DBSA: Floating rate		Variable	2019.10.31	78,331,528			78,331,528	75,097,698		
Nedbank loan B1		Variable	2008.05.28	30,000,000			30,000,000	28,761,483	Not	
ABSA Bank loan B3		Variable	2011.06.30	84,000,000			84,000,000	80,532,153	Applicable	
INCA loan		17.15	2011.06.30	45,000,000			45,000,000	43,142,225		
ABSA Bank BA rate		Variable	2007.01.31	500,000		500,000	0	0		
Future Syndications		Variable	2008.06.30	125,000,000			125,000,000	119,839,514		
Rand Merchant Bank		Variable	2014.04.30	12,840,519		12,840,519	0	0		
ABSA Bank Arbitrage		19.13	2011.10.31	200,000,000			200,000,000	191,743,222		
TOTAL TERM LOANS				625,672,047	0	13,340,519	612,331,528	587,052,101		
ANNUITY LOANS:										
DBSA		13.5	2018.04.30	249,331,006		8,460,660	240,870,346	230,926,281		
DBSA Local Authorities		13.5	2012.12.31	18,826,189		941,278	17,884,911	17,146,552		
DBSA (Restructuring)		10.87	2018.12.31	257,830,455		4,949,594	252,880,861	242,440,955		
INCA		11.66	2019.06.30	18,925,076		707,161	18,217,915	17,465,809	Not	
INCA		9.52	2020.03.31	215,109,025		7,842,941	207,266,084	198,709,334	Applicable	
INCA		11.01	2020.06.30	48,580,168		1,580,458	46,999,710	45,059,379		
DBSA		9.36	2020.12.31	270,524,362		4,484,846	266,039,516	255,056,370		
INCA		10.92	2020.12.31	98,563,782		3,016,711	95,547,071	91,602,516		
INCA		10.81	2021.06.30	80,000,000		2,311,059	77,688,941	74,481,639		
DBSA		5.0	2021.12.31		100,000,000	2,703,217	97,296,783	93,279,993		
DBSA		9.835	2021.12.31		400,000,000	10,718,270	389,281,730	373,210,666		
Ivuzi		13.5	2021.12.31		200,000,000	3,424,811	196,575,189	188,459,801		
TOTAL ANNUITY LOANS				1,257,690,063	700,000,000	51,141,006	1,906,549,057	1,827,839,296		
TOTAL EXTERNAL LOANS				2,198,142,922	700,934,070	64,481,525	2,834,595,467	2,717,572,340		



Appendix A Schedule of external loans as at 30 June 2007 : Group

				Opening balance	Received during the year	Redeemed during the year	Closing balance	Carrying value of Property, Plant & Equipment	Other Costs in accordance with the MFMA	
				R	R	R	R	R	R	
EXTERNAL LOANS:										
LOCAL REGISTERED STOCK:										
	Issued	Loan number	Interest rate (%)	Redeemable						
	1997	105	16.65	2014.06.30	94,729,851	367,789	95,097,640	91,171,640		
	1993	104	14.15	2008.09.30	40,000,000		40,000,000	38,348,644		
	1984	43	16.25	2004.04.30	5,000		5,000	4,794		
	1990	55	16.40	2011.06.30	14,768,034	(44,884)	14,723,150	14,115,321		
	1992	62	13.50	2011.06.30	21,258,263	(271,307)	20,986,956	20,120,533	Not	
	1993	63	14.00	2011.06.30	35,019,664	882,472	35,902,136	34,419,956	Applicable	
	1997	65	15.75	2011.06.30	50,000,000		50,000,000	47,935,806		
	2000	66	16.50	2011.06.30	59,000,000		59,000,000	56,564,251		
TOTAL LOCAL REGISTERED STOCK					314,780,812	934,070	0	315,714,882	302,680,945	
TERM LOANS:										
	DBSA: Bullet portion		13.50	2018.04.30	50,000,000		50,000,000	47,935,806		
	DBSA: Floating rate		Variable	2019.10.31	78,331,528		78,331,528	75,097,698		
	DBSA (Roodeplaat/Temba Trust)				121,771,451	3,228,549	3,228,573	121,771,427		
	Nedbank loan B1		Variable	2008.05.28	30,000,000		30,000,000	28,761,483		
	Nedbank (Roodeplaat/Temba Trust)				174,149,846		13,220,738	160,929,108	Not	
	ABSA Bank loan B3		Variable	2011.06.30	84,000,000		84,000,000	80,532,153	Applicable	
	ABSA (Roodeplaat/Temba Trust)				234,077,797	5,921,297	5,919,317	187,030,977		
	National Housing Finance Corp		14.00		5,418,660		441,077	4,977,583		
	Gauteng Partnership Fund		0.00		293,000		293,000	293,000		
	Rand Water (ODI)		0.00		2,697,017		143,644	2,553,373		
	INCA loan		17.15	2011.06.30	45,000,000		45,000,000	43,142,225		
	ABSA Bank BA rate		Variable	2007.01.31	500,000		500,000	0		
	Future Syndications		Variable	2008.06.30	125,000,000		125,000,000	119,839,514		
	Rand Merchant Bank		Variable	2014.04.30	12,840,519		12,840,519	0		
	ABSA Bank Arbitrage		19.13	2011.10.31	200,000,000		200,000,000	191,743,222		
TOTAL TERM LOANS					1,164,079,818	9,149,846	36,293,868	1,136,935,796	1,062,054,196	
ANNUITY LOANS:										
	DBSA		13.5	2018.04.30	249,331,006		8,460,660	240,870,346	230,926,281	
	DBSA Local Authorities		13.5	2012.12.31	18,826,189		941,278	17,884,911	17,146,552	
	DBSA (Restructuring)		10.87	2018.12.31	257,830,455		4,949,594	252,880,861	242,440,956	
	INCA		11.66	2019.06.30	18,925,076		707,161	18,217,915	17,465,808	Not
	INCA		9.52	2020.03.31	215,109,025		7,842,941	207,266,084	198,709,333	Applicable
	INCA		11.01	2020.06.30	48,580,167		1,580,458	46,999,709	45,059,379	
	DBSA		9.36	2020.12.31	270,524,362		4,484,846	266,039,516	255,056,370	
	INCA		10.92	2020.12.31	98,563,782		3,016,711	95,547,071	91,602,516	
	INCA		10.81	2021.06.30	80,000,000		2,311,059	77,688,941	74,481,639	
	DBSA		5.0	2021.12.31		100,000,000	2,703,217	97,296,783	93,279,993	
	DBSA		9.835	2021.12.31		400,000,000	10,718,270	389,281,730	373,210,666	
	lvuzi		13.5	2021.12.31		200,000,000	3,424,811	196,575,189	188,459,801	
TOTAL ANNUITY LOANS					1,257,690,062	700,000,000	51,141,006	1,906,549,056	1,827,539,294	
LEASE LIABILITY (Roodeplaat/TembaTrust)					19,116,417	8,697,314	27,813,731	14,565,592		
TOTAL EXTERNAL LOANS					2,755,667,109	718,781,230	87,434,874	3,387,013,466	3,207,140,027	

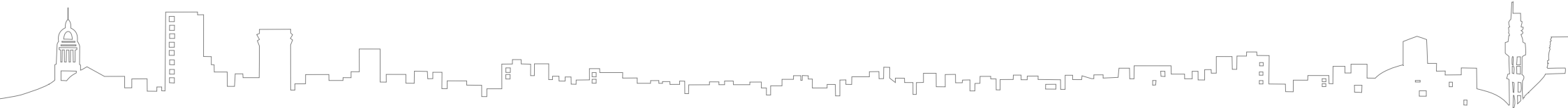


Appendix B Analysis of Property, Plant & Equipment as at 30 June 2007 : Parent

Asset class	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE										
Airport	7,703,778	2,198,806			9,902,584	2,530,656	402,580		2,933,236	6,969,348
Electricity	1,592,399,484	73,289,235		101,234,158	1,766,922,877	589,570,745	76,222,100	(40,977,781)	624,815,064	1,142,107,813
Information Technology	392,279,218	10,621,298		(256,412,115)	146,488,401	190,706,125	26,901,123	(162,409,583)	55,197,665	91,290,736
Roads	2,026,754,093	28,791,055		215,852,561	2,271,397,709	760,550,737	104,762,643	(60,863,818)	804,449,562	1,466,948,147
Security	51,743,387	11,611,860		3,409,416	66,764,663	19,796,397	11,006,803	162,092	30,965,292	35,799,371
Sewerage	602,091,766	52,741,297		90,982,710	745,815,773	192,369,579	30,224,114	(2,427,842)	220,165,851	525,649,922
Water	642,145,048	38,575,439		315,506,833	996,227,320	116,211,150	59,713,672	140,511,345	316,436,167	679,791,153
General	23,241,986			1,196,845	24,438,831	6,144,812	1,123,318	(528,439)	6,739,691	17,699,140
Asset under construction	1,112,290,227		250,981,817		1,363,272,044					1,363,272,044
	6,450,648,987	217,828,990	250,981,817	471,770,408	7,391,230,202	1,877,880,201	310,356,353	(126,534,026)	2,061,702,528	5,329,527,674
COMMUNITY ASSETS										
Global: General	199,326,829			(19,214,589)	180,112,240	118,461,265	11,290,520	(6,147,645)	123,604,140	56,508,100
Recreation	131,857,843	6,900,014		8,589,850	147,347,707	58,454,589	9,442,699	(721,399)	67,175,889	80,171,818
Assets under construction	58,461,941	0	(22,463,288)		35,998,653					35,998,653
	389,646,613	6,900,014	(22,463,288)	(10,624,739)	363,458,600	176,915,854	20,733,219	(6,869,044)	190,780,029	172,678,571
HERITAGE ASSETS										
Museum pieces & art works	386,428				386,428					386,428
General	2,834,674			(18,628)	2,816,046					2,816,046
	3,221,102	0	0	(18,628)	3,202,474	0	0	0	0	3,202,474
HOUSING										
Dwellings: Indigent	1,156,316			0	1,156,316	136,010	42,753		178,763	977,553
General	29,173,782			(32,330)	29,141,452	7,018,618	1,272,066	(32,330)	8,258,354	20,883,098
Assets under construction	196,898,885		(59,745,969)		137,152,916					137,152,916
	227,228,983	0	(59,745,969)	(32,330)	167,450,684	7,154,628	1,314,819	(32,330)	8,437,117	159,013,567

Appendix B Analysis of Property, Plant & Equipment as at 30 June 2007 : Parent (continued)

Asset class	Note	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
		Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments		Closing balance
		R	R	R	R	R	R	R	R		R
OTHER											
General		163,204,589	7,840,297		(15,352,197)	155,692,689	60,417,157	22,025,080	(16,583,216)	65,859,021	89,833,668
Books		13,082,405			(142,591)	12,939,814	8,721,817	4,328,976	(110,979)	12,939,814	0
Emergency equipment		9,840,136			(20,679)	9,819,457	4,631,193	2,777,438	125,923	7,534,554	2,284,903
Furniture & fittings		17,834,627			(3,427,412)	14,407,215	3,591,839	1,644,838	(1,055,436)	4,181,241	10,225,974
Computer equipment		176,181,449	499,002		(32,419,719)	144,260,732	110,430,579	36,472,685	(32,636,002)	114,267,262	29,993,470
Office equipment		11,436,190			(1,004,183)	10,432,007	3,305,741	2,199,699	(518,361)	4,987,079	5,444,928
Plant and equipment		138,295,647	2,607,811		(11,299,710)	129,603,748	60,184,934	25,838,159	(8,031,761)	77,991,332	51,612,416
Vehicles		279,908,488	12,824,813		(49,622,422)	243,110,879	128,472,975	35,793,026	(51,154,328)	113,111,673	129,999,206
Assets under construction		29,178,096	0	39,967,354	0	69,145,450	0			0	69,145,450
		838,961,627	23,771,923	39,967,354	(113,288,913)	789,411,991	379,756,235	131,079,901	(109,964,160)	400,871,976	388,540,015
INVESTMENT PROPERTY											
Parking		1,323,390	450,000			1,773,390	3,676	45,363		49,039	1,724,351
Industrial Sidings		383,906				383,906	25,594	12,797		38,391	345,515
		1,707,296	450,000	0	0	2,157,296	29,270	58,160	0	87,430	2,069,866
INTANGIBLE ASSETS											
Computer software		198,133,925	171,421	0	9,718,652	208,023,998	39,614,085	40,260,980	2,800,000	82,675,065	125,348,933
		198,133,925	171,421	0	9,718,652	208,023,998	39,614,085	40,260,980	2,800,000	82,675,065	125,348,933
LAND AND BUILDINGS											
Land		1,095,638,197	10,452,013		38,427,340	1,144,517,550	5,801,067		(5,795,036)	6,031	1,144,511,519
Buildings		1,121,682,404	110,514,007		110,392,325	1,342,588,736	380,968,768	54,780,600	(3,654,670)	432,094,698	910,494,038
		2,217,320,600	120,966,020	0	148,819,665	2,487,106,285	386,769,835	54,780,600	(9,449,706)	432,100,729	2,055,005,556
TOTAL		10,326,869,133	370,088,368	208,739,914	506,344,115	11,412,041,530	2,868,120,108	558,584,032	(250,049,266)	3,176,654,874	8,235,386,657

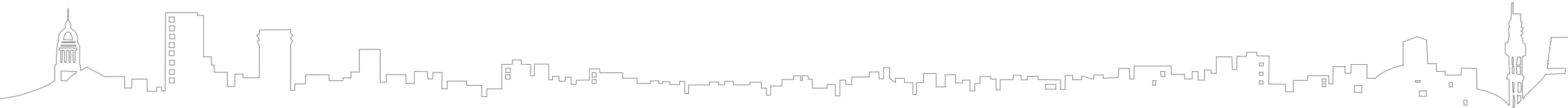


Appendix B Analysis of Property, Plant & Equipment as at 30 June 2007 : Group

Asset class	Note	Cost/Revaluation					Accumulated Depreciation				Carrying Value
		Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
		R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	9.1										
Airport		7,703,778	2,198,806			9,902,584	2,530,656	402,580		2,933,236	6,969,348
Electricity		1,592,399,484	73,289,235		101,234,158	1,766,922,877	589,570,745	76,222,100	(40,977,781)	624,815,064	1,142,107,813
Information Technology		392,279,218	10,621,298		(256,412,115)	146,488,401	190,706,125	26,901,123	(162,409,583)	55,197,665	91,290,736
Roads		2,026,754,093	28,791,055		215,852,561	2,271,397,709	760,550,737	104,762,643	(60,863,818)	804,449,562	1,466,948,147
Security		51,743,387	11,611,860		3,409,416	66,764,663	19,796,397	11,006,803	162,092	30,965,292	35,799,371
Sewerage		602,091,766	52,741,297		90,982,710	745,815,773	192,369,579	30,224,114	(2,427,842)	220,165,851	525,649,922
Water		642,145,048	38,575,439		315,506,833	996,227,320	116,211,150	59,713,672	140,511,345	316,436,167	679,791,153
General		23,241,986			1,196,845	24,438,831	6,144,812	1,123,318	(528,439)	6,739,691	17,699,140
Asset under construction		1,112,290,227		250,981,817		1,363,272,044	0			0	1,363,272,044
Sandspruit Works Association		7,187,230	3,033,021			10,220,251	1,035,143	867,108		1,902,251	8,318,000
		6,457,836,217	220,862,011	250,981,817	471,770,408	7,401,450,453	1,878,915,344	311,223,461	(126,534,026)	2,063,604,779	5,337,845,674
COMMUNITY ASSETS	9.2										
Global: General		199,326,829			(19,214,589)	180,112,240	118,461,265	11,290,520	(6,147,645)	123,604,140	56,508,100
Recreation		131,857,843	6,900,014		8,589,850	147,347,707	58,454,589	9,442,699	(721,399)	67,175,889	80,171,818
Assets under construction		58,461,941		(22,463,288)		35,998,653					35,998,653
		389,646,613	6,900,014	(22,463,288)	(10,624,739)	363,458,600	176,915,854	20,733,219	(6,869,044)	190,780,029	172,678,571
HERITAGE ASSETS	9.3										
Museum pieces & art works		386,428				386,428	0			0	386,428
General		2,834,674			(18,628)	2,816,046	0			0	2,816,046
		3,221,102	0	0	(18,628)	3,202,474	0	0	0	0	3,202,474
HOUSING	9.4										
Dwellings: Indigent		1,156,316				1,156,316	136,010	42,753		178,763	977,553
General		29,173,782			(32,330)	29,141,452	7,018,618	1,272,066	(32,330)	8,258,354	20,883,098
Assets under construction		196,898,885		(59,745,969)		137,152,916					137,152,916
		227,228,983	0	(59,745,969)	(32,330)	167,450,684	7,154,628	1,314,819	(32,330)	8,437,117	159,013,567

Appendix B Analysis of Property, Plant & Equipment as at 30 June 2007 : Group (continued)

Asset class	Note	Cost/Revaluation					Accumulated Depreciation					Carrying Value
		Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance		
		R	R	R	R	R	R	R	R	R	R	
OTHER	9.5											
General		163,204,589	7,840,297		(15,352,197)	155,692,689	60,417,157	22,025,080	(16,583,216)	65,859,021	89,833,668	
Books		13,082,406			(142,591)	12,939,815	8,721,817	4,328,976	(110,979)	12,939,814	1	
Emergency equipment		9,840,136			(20,679)	9,819,457	4,631,193	2,777,438	125,923	7,534,554	2,284,903	
Furniture & fittings		17,834,627			(3,427,412)	14,407,215	3,591,838	1,644,838	(1,055,436)	4,181,240	10,225,975	
Computer equipment		176,181,449	499,002		(32,419,719)	144,260,732	110,430,579	36,472,685	(32,636,002)	114,267,262	29,993,470	
Office equipment		11,436,190			(1,004,183)	10,432,007	3,305,741	2,199,699	(518,361)	4,987,079	5,444,928	
Plant and equipment		138,295,647	2,607,811		(11,299,710)	129,603,748	60,184,934	25,838,159	(8,031,761)	77,991,332	51,612,416	
Vehicles		279,908,488	12,824,813		(49,622,422)	243,110,879	128,472,975	35,793,026	(51,154,328)	113,111,673	129,999,206	
Assets under construction		29,178,096		39,967,354	0	69,145,450	0			0	69,145,450	
Tradepoint Pretoria		0				0	0			0	0	
Cenbis: Furniture & equipment		580,824				580,824	550,463			550,463	30,361	
Housing Company: Equipment & furniture		289,732			(12)	289,720	153,469	59,704	299	213,472	76,248	
Sandspruit: Other equipment		6,056,200	806,696			6,862,896	3,758,417	735,503		4,493,920	2,368,976	
Civirelo: Office, IT equipment & software		85,940				85,940	33,000	37,100		70,100	15,840	
Roodeplaat Temba: Work in progress		459,637,682	10,093,828		0	469,731,510	22,802,637	36,023,117	1,615,488	60,441,242	409,290,268	
		1,305,612,006	34,672,447	39,967,354	(113,288,925)	1,266,962,882	407,054,220	167,935,325	(108,348,373)	466,641,172	800,321,710	
INVESTMENT PROPERTY	9.6											
Parking		1,323,390	450,000			1,773,390	3,676	45,363		49,039	1,724,351	
Industrial Sidings		383,906				383,906	25,594	12,797		38,391	345,515	
Housing Company: Investment property		7,490,657				7,490,657	0			0	7,490,657	
		9,197,953	450,000	0	0	9,647,953	29,270	58,160	0	87,430	9,560,523	
INTANGIBLE ASSETS	9.7											
Computer software		198,133,925	171,421	0	9,718,652	208,023,998	39,614,085	40,260,980	2,800,000	82,675,065	125,348,933	
LAND AND BUILDINGS	9.9											
Land		1,095,638,195	10,452,013		38,427,340	1,144,517,548	5,801,068		(5,795,036)	6,032	1,144,511,516	
Buildings		1,121,682,404	110,514,007		110,392,325	1,342,588,736	380,968,768	54,780,600	(3,654,670)	432,094,698	910,494,038	
Sandspruit ODI: Land and buildings		4,670,679	1,467,036			6,137,715	640,727	148,206		788,933	5,348,782	
		2,221,991,278	122,433,056	0	148,819,665	2,493,243,999	387,410,563	54,928,806	(9,449,706)	432,889,663	2,060,354,336	
LEASED ASSETS	9.8											
Roodeplaat Temba: Plant & equipment		19,116,417			(1,477,352)	17,639,065	2,461,963	493,671	(190,265)	2,765,369	14,873,696	
		19,116,417	0	0	(1,477,352)	17,639,065	2,461,963	493,671	(190,265)	2,765,369	14,873,696	
TOTAL	9.1	10,831,984,494	385,488,949	208,739,914	504,866,751	11,931,080,108	2,899,555,927	596,948,441	(248,623,744)	3,247,880,624	8,683,199,486	

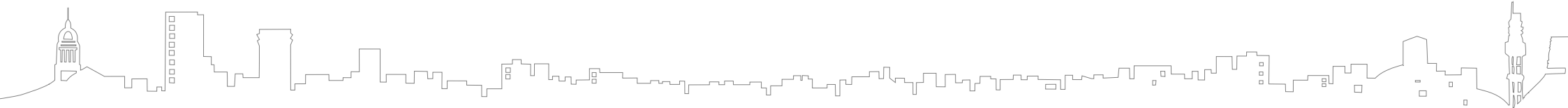


Appendix C Segmental Analysis of Property, Plant & Equipment as at 30 June 2007 : Parent

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
Governing Services	2,067,032			(68,779)	1,998,253	997,707	484,784	(58,198)	1,424,293	573,960
Municipal Manager	466,362			(46,151)	420,211	106,554	73,764	(37,077)	143,241	276,970
Chief Operating Officer	60,389,857		11,034,546	(28,859)	71,395,544	965,873	651,539	(12,757)	1,604,655	69,790,889
Emergency Management Services	152,743,644	3,982,704	8,004,453	597,541	165,328,342	56,460,716	18,709,094	(1,156,779)	74,013,031	91,315,311
Corporate Services	1,844,580,978	14,124,197	26,761,393	(48,512,712)	1,836,953,856	351,414,006	117,112,033	(56,422,164)	412,103,875	1,424,849,981
Economic Development	307,868,352	19,300,998	22,915,335	(17,501,354)	332,583,331	78,914,748	16,906,559	(22,462,070)	73,359,237	259,224,094
Finance	54,378,877			(9,638,455)	44,740,422	29,136,883	7,693,697	(9,562,441)	27,268,139	17,472,283
Housing, Planning & Environmental Services	1,843,772,720	84,328,227	(236,509,403)	286,668,611	1,978,260,155	344,484,606	69,334,616	(42,361,891)	371,457,331	1,606,802,824
Legal and Secretarial Services	25,522,654		549,986	(18,240)	26,054,400	1,244,119	664,320	(7,945)	1,900,494	24,153,906
Marketing and Tourism	709,958			(21,138)	688,820	135,757	64,646	(8,406)	191,997	496,823
Metro Police	91,061,868	11,174,678	14,105,701	(6,686,729)	109,655,518	30,458,956	13,703,218	(3,915,477)	40,246,697	69,408,821
Social Development	373,001,061	73,325,790	(37,484,555)	56,688,474	465,530,770	101,462,058	23,313,151	(4,065,880)	120,709,329	344,821,441
Service Delivery:	3,592,118,452	90,768,995	285,253,724	162,065,770	4,130,206,941	1,179,339,305	191,401,371	(52,217,511)	1,318,523,165	2,811,683,776
Roads and Storm water	2,016,320,025	372,586	116,565,633	51,555,687	2,184,813,931	727,224,735	96,626,927	(62,831,274)	761,020,388	1,423,793,543
Water and Sanitation	1,575,798,427	90,396,409	168,688,091	110,510,083	1,945,393,010	452,114,570	94,774,444	10,613,763	557,502,777	1,387,890,233
Electricity	1,978,187,318	73,082,782	114,108,730	82,846,137	2,248,224,967	692,998,820	98,471,240	(57,760,670)	733,709,390	1,514,515,577
TOTAL	10,326,869,133	370,088,371	208,739,910	506,344,116	11,412,041,530	2,868,120,108	558,584,032	(250,049,266)	3,176,654,874	8,235,386,657

Appendix C Segmental Analysis of Property, Plant & Equipment as at 30 June 2007 : Group

Service	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Under Construction	Disposals, Transfers & adjustments	Closing balance	Opening balance	Additions	Disposals, Transfers & adjustments	Closing balance	
	R	R	R	R	R	R	R	R	R	
Governing Services	2,067,032			(68,779)	1,998,253	997,707	484,784	(58,198)	1,424,293	573,960
Municipal Manager	466,362			(46,151)	420,211	106,554	73,764	(37,077)	143,241	276,970
Chief Operating Officer	60,389,857		11,034,546	(28,859)	71,395,544	965,873	651,539	(12,757)	1,604,655	69,790,889
Emergency Management Services	152,743,644	3,982,704	8,004,453	597,541	165,328,342	56,460,716	18,709,094	(1,156,779)	74,013,031	91,315,311
Corporate Services	1,844,580,979	14,124,197	26,761,393	(48,512,712)	1,836,953,857	351,414,006	117,112,033	(56,422,164)	412,103,875	1,424,849,982
Economic Development	308,449,176	19,300,998	22,915,335	(17,501,354)	333,164,155	79,465,211	16,906,559	(22,462,070)	73,909,700	259,254,455
Finance	54,378,877			(9,638,455)	44,740,422	29,136,883	7,693,697	(9,562,441)	27,268,139	17,472,283
Housing, Planning & Environmental Services	1,851,553,109	84,328,227	(236,509,403)	286,668,611	1,986,040,544	344,638,075	69,334,616	(42,361,891)	371,610,800	1,614,429,744
Legal and Secretarial Services	25,522,654		549,986	(18,240)	26,054,400	1,244,119	664,320	(7,945)	1,900,494	24,153,906
Marketing and Tourism	709,958			(21,138)	688,820	135,757	64,646	(8,406)	191,997	496,823
Metro Police	91,061,868	11,174,678	14,105,701	(6,686,729)	109,655,518	30,458,956	13,703,218	(3,915,477)	40,246,697	69,408,821
Social Development	373,001,060	73,325,790	(37,484,555)	56,688,462	465,530,757	101,462,058	23,372,855	(4,065,581)	120,769,332	344,761,425
Service Delivery:	4,088,872,600	106,169,576	285,253,724	160,588,420	4,640,884,320	1,210,071,191	229,706,074	(50,792,287)	1,388,984,978	3,251,899,342
Roads and Storm water	2,016,320,025	372,586	116,565,633	51,555,687	2,184,813,931	727,224,735	96,626,927	(62,831,274)	761,020,388	1,423,793,543
Water and sanitation	2,072,552,575	105,796,990	168,688,091	109,032,733	2,456,070,389	482,846,456	133,079,147	12,038,987	627,964,590	1,828,105,799
Electricity	1,978,187,318	73,082,782	114,108,730	82,846,137	2,248,224,967	692,998,820	98,471,242	(57,760,669)	733,709,393	1,514,515,574
	10,831,984,494	385,488,952	208,739,910	504,866,754	11,931,080,110	2,899,555,926	596,948,441	(248,623,742)	3,247,880,625	8,683,199,486



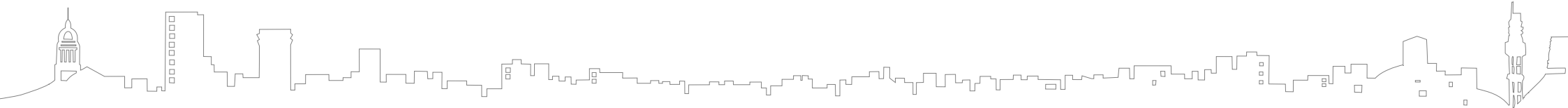
Appendix D Consolidated Segmental Statement of Performance for the year ended 30 June 2007

SERVICE	MUNICIPALITY							GROUP						
	2007				2006			2007				2006		
	Actual Revenue	Actual Expenditure	Surplus/ (Deficit)	Original Budget Surplus/ (Deficit)	Actual Revenue	Actual Expenditure	Surplus/ (Deficit)	Actual Revenue	Actual Expenditure	Surplus/ (Deficit)	Original Budget Surplus/ (Deficit)	Actual Revenue	Actual Expenditure	Surplus/ (Deficit)
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governing Services	311,725	105,305,696	(104,993,971)	(117,551,441)	564,349	123,373,050	(122,808,701)	311,725	105,305,696	(104,993,971)	(117,551,441)	564,349	123,373,050	(122,808,701)
Municipal Manager	735,230	98,500,356	(97,765,126)	(138,496,605)	5,281	26,578,403	(26,573,122)	735,230	98,500,356	(97,765,126)	(138,496,605)	5,281	26,578,403	(26,573,122)
Emergency Management Services	36,332,635	232,333,288	(196,000,653)	(211,735,814)	35,556,025	203,691,779	(168,135,754)	36,332,635	232,333,288	(196,000,653)	(211,735,814)	35,556,025	203,691,779	(168,135,754)
Corporate Services	46,077,730	786,583,576	(740,505,846)	(713,453,365)	50,594,426	863,860,425	(813,265,999)	46,077,730	786,583,576	(740,505,846)	(713,453,365)	50,594,426	863,860,425	(813,265,999)
Economic Development	156,560,575	378,087,419	(221,526,844)	(179,219,353)	141,146,200	317,552,221	(176,406,021)	156,564,225	378,117,677	(221,553,452)	(179,219,353)	142,321,805	319,152,680	(176,830,875)
Finance	3,299,593,111	969,620,200	2,329,972,911	1,968,422,831	3,659,207,975	1,434,004,442	2,225,203,533	3,299,593,111	969,620,200	2,329,972,911	1,968,422,831	3,659,207,975	1,434,004,442	2,225,203,533
Housing, Planning & Environmental Services	523,198,050	1,340,322,326	(817,124,276)	(651,629,292)	419,221,532	1,103,001,886	(683,780,354)	523,198,050	1,340,322,326	(817,124,276)	(651,629,292)	419,221,532	1,103,001,886	(683,780,354)
Legal and Secretarial Services	77,656	72,750,288	(72,672,632)	(77,070,574)	1,219,138	68,981,897	(67,762,759)	77,656	72,750,288	(72,672,632)	(77,070,574)	1,219,138	68,981,897	(67,762,759)
Metro Police	122,633,746	464,367,134	(341,733,388)	(354,248,533)	99,326,805	407,151,115	(307,824,310)	122,633,746	464,367,134	(341,733,388)	(354,248,533)	99,326,805	407,151,115	(307,824,310)
Social Development	57,855,485	336,979,980	(279,124,495)	(286,297,174)	18,176,317	258,618,479	(240,442,162)	72,186,720	354,648,088	(282,461,368)	(286,297,174)	25,682,190	264,606,168	(238,923,978)
Service Delivery:	1,581,289,274	2,031,811,961	(450,522,687)	(452,585,140)	1,203,137,144	1,654,343,024	(451,205,880)	1,756,191,646	2,273,135,097	(516,943,451)	(452,585,140)	1,424,267,371	1,835,929,893	(411,662,522)
Roads & Stormwater	59,903,280	622,600,734	(562,697,454)	(568,275,316)	13,451,459	503,193,540	(489,742,081)	59,903,280	622,600,734	(562,697,454)	(568,275,316)	13,451,459	503,193,540	(489,742,081)
Waste water treatment	27,244,420	129,521,971	(102,277,551)	(92,050,934)	1,875,394	129,226,504	(127,351,110)	166,573,771	269,727,586	(103,153,815)	(92,050,934)	158,636,644	275,255,494	(116,618,850)
Waste water collection	322,150,751	100,259,746	221,891,005	197,396,915	234,447,622	65,622,001	168,825,621	322,150,751	100,259,746	221,891,005	197,396,915	234,447,622	65,622,001	168,825,621
Water supply	1,171,990,823	1,179,429,510	(7,438,687)	10,344,195	953,362,669	956,300,979	(2,938,310)	1,207,563,844	1,280,547,031	(72,983,187)	10,344,195	1,017,731,646	991,858,858	25,872,788
Electricity	2,779,789,738	2,859,579,109	(79,789,371)	58,617,769	2,575,965,247	2,460,132,909	115,832,338	2,779,789,738	2,859,579,109	(79,789,371)	58,617,769	2,575,965,247	2,460,132,909	115,832,338
Subtotal	8,604,454,955	9,676,241,333	(1,071,786,378)	(1,155,246,691)	8,204,120,439	8,921,289,630	(717,169,191)	8,793,692,212	9,935,262,835	(1,141,570,623)	(1,155,246,691)	8,433,932,144	9,110,464,647	(676,532,503)
Less: Departmental charges and other internal costs			1,388,106,007	1,356,770,119			1,285,190,920			1,388,106,007				1,285,190,920
SURPLUS FOR THE YEAR			316,319,629	201,523,428			568,021,729			246,535,384				608,658,417



Appendix E Actual Operating Revenue and Expenditure per Type Versus Budget for the year ended 30 June 2007

DESCRIPTION	Actual	Budget	Variance	Variance	Explanation of significant Variances (greater than 10%) versus Budget
	R	R	R	%	
REVENUE					
Property rates	1,719,158,593	1,735,113,478	(15,954,885)	(0.92)	
Service Charges	4,272,214,160	4,246,657,264	25,556,896	0.60	
Regional Service Levies – turnover	(38,135)	16,000,000	(16,038,135)	(100.24)	Levies are based on turnover of companies. Abolished from 1 July 2006.
Rental of facilities and equipment	84,451,009	56,193,546	28,257,463	50.29	Bus rentals realised more than projected owing to greater demand. Data purification process on Council owned leased properties resulted in more rentals than previously projected.
Interest earned – external investments	154,277,171	47,942,050	106,335,121	221.80	Favourable growth rate compared to the conservative planned budget.
Interest earned – outstanding debtors	155,842,736	137,007,800	18,834,936	13.75	
Fines (traffic fines)	38,389,834	42,742,689	(4,352,855)	(10.18)	Due to decision of National Director of Public Prosecutions to limit lifespan of fines to 2 years. Implementation of a website for electronic payments and credit card payment is an effort to address the shortfall in fines.
Licences and permits	21,816,684	34,297,845	(12,481,161)	(36.39)	Provincial Call Centre could only handle a booking level of less than 40 % for driving license testing. Switch over to e-Natis in April 2007 hampered the revenue collection.
Government grants and subsidies	1,541,794,233	1,749,343,822	(207,549,589)	(11.86)	Project Linked Housing(Top structure) grants budgeted for but not received. Restructuring grant - only R25 million was received of the budgeted R75 million. Communique from EM to MEC with commitment and request to release allocation of R50 million submitted.
Other income	618,748,440	457,747,540	161,000,900	35.17	Conservative planned budget - increase in reconnection fees, market fees, transport fees and land sales.
Public contributions	165,566,509	50,012,825	115,553,684	231.05	Budgeted conservatively- major increase in endowment contributions and township development contributions
Gains on disposal of property, plant and equipment	20,915,400	14,500,000	6,415,400	44.24	During Adjustments Budget a conservative amount was budgeted due to uncertainty of this type of revenue
Gain: Change in fair value of livestock	555,578	0	555,578	100.00	Amount not budgeted for
Total Revenue	8,793,692,212	8,587,558,859	206,133,353	2.40	
EXPENDITURE					
Employee related costs	2,445,747,160	2,551,422,155	(105,674,995)	(4.14)	Savings are owing to non filling of vacancies
Remuneration of Councillors	45,946,048	46,762,692	(816,644)	(1.75)	
Bad debts: contribution	114,705,781	106,649,267	8,056,514	7.55	
Bad debts: written off	86,736,741	0	86,736,741	100.00	Amount not budgeted for
Collection Costs	49,538,121	50,669,138	(1,131,017)	(2.23)	
Depreciation	598,373,961	592,729,286	5,644,675	0.95	Depreciation did not realise fully owing to the late spending on capital projects and purifying of assets under construction
Interest paid on external borrowings	387,774,358	345,899,657	41,874,701	12.11	Fewer external loans was taken up than anticipated owing to lower than expected expenditure on capital
Bulk purchases	2,136,832,836	1,989,821,178	147,011,658	7.39	Actual load growth increased for both bulk water and electricity with 1.6 % from budgeted 4 %. Growth load increased due to harsh winter and severe drought conditions.
Repairs and maintenance	731,219,500	674,906,579	181,701,633	26.92	
Grants and subsidies paid	8,392,257	11,634,800	(3,242,543)	(27.87)	Fewer applications for grants and subsidies was received than anticipated during budget process
Loss on disposal of property, plant and equipment	9,917,937	5,525,863	4,392,074	79.48	More items were disposed of against a loss than anticipated during the budget process
General expenses – other	1,931,972,128	2,010,014,816	(78,042,688)	(3.88)	
Total Expenditure	8,547,156,828	8,386,035,431	161,121,397	1.92	
NET SURPLUS FOR THE YEAR	246,535,384	201,523,428	45,011,956	22.34	



Appendix F Actual Operating Revenue and Expenditure per Strategic Unit Versus Budget for the year ended 30 June 2007

DESCRIPTION	Actual	Budget	Variance	Variance	Explanation of significant Variances (greater than 10%) versus Budget
	R	R	R	%	
REVENUE					
Political Office	311,725	188,674	123,051	65.22	More revenue from rental of facilities realised than projected during the budget
Municipal Manager	735,230	4,732,663	(3,997,433)	(84.46)	Capex grants not recognised as revenue due to non-spending on capital projects
Emergency Management Services	36,332,635	33,758,659	2,573,976	7.62	
Corporate Services	46,077,730	52,422,742	(6,345,012)	(12.10)	
	156,564,225	175,373,945	(18,809,720)	(10.73)	Grants & subsidies received not recognised as revenue due to under/non spending on projects. Sale of aeroplane fuel realised lower than budgeted
Economic Development					
Finance	3,299,593,111	3,112,944,599	186,648,512	6.00	
Housing, Planning & Environmental Services	523,198,050	668,157,206	(144,959,156)	(21.70)	Less Topstructure grants i.r.o. Project Linked Housing were received than projected
Legal and Secretarial Services	77,656	352,283	(274,627)	(77.96)	Nominal amount budgeted, which did not realise as projected
Metro Police	122,633,746	127,471,869	(4,838,123)	(3.80)	
Social Development	72,186,720	61,576,927	10,609,793	17.23	
Service Delivery:	1,756,191,646	1,537,535,585	218,656,061	14.22	
			(12,313,399)	(17.05)	Capital grants and donations not recognised as revenue due to under spending on capital projects
Roads & Stormwater	59,903,280	72,216,679			
Waste water treatment	166,573,771	27,379,286	139,194,485	508.39	
Waste water collection	322,150,751	300,092,296	22,058,455	7.35	
Water supply	1,207,563,844	1,137,847,324	69,716,520	6.13	
Electricity	2,779,789,738	2,813,043,707	(33,253,969)	(1.18)	
Total Revenue	8,793,692,212	8,587,558,859	206,133,353	2.40	
EXPENDITURE					
Political Office	105,305,696	117,740,115	(12,434,419)	(10.56)	Savings on employee costs, depreciation and general expenditure
Municipal Manager	98,500,356	143,229,268	(44,728,912)	(31.23)	Savings on employee costs, depreciation and general expenditure
Emergency Management Services	232,333,288	245,494,473	(13,161,185)	(5.36)	
Corporate Services	786,583,576	765,876,107	20,707,469	2.70	
Economic Development	378,117,677	354,593,298	23,524,379	6.63	
Finance	969,620,200	1,144,521,768	(174,901,568)	(15.28)	Under spending on Restructuring grant allocation, MSIG, feasibility studies corporately budgeted and allocated, saving due to VAT corrections
Housing, Planning & Environmental Services	1,340,322,326	1,319,786,498	20,535,828	1.56	
Legal and Secretarial Services	72,750,288	77,422,857	(4,672,569)	(6.04)	
Metro Police	464,367,134	481,720,402	(17,353,268)	(3.60)	
Social Development	354,648,088	347,874,101	6,773,987	1.95	
Service Delivery:	2,273,135,097	1,990,120,725	283,014,372	14.22	
Roads & Stormwater	622,600,734	640,491,995	(17,891,261)	(2.79)	
Waste water treatment	269,727,586	119,430,220	150,297,366	125.85	
Waste water collection	100,259,746	102,695,381	(2,435,635)	(2.37)	
Water supply	1,280,547,031	1,127,503,129	153,043,902	13.57	
Electricity	2,859,579,109	2,754,425,938	105,153,171	3.82	
Nett Expenditure	9,935,262,835	9,742,805,550	192,457,285		
Less: Departmental charges and other internal costs	1,388,106,007	1,356,770,119	31,335,888		
Nett Expenditure	8,547,156,828	8,386,035,431	161,121,397	0	
NET SURPLUS FOR THE YEAR	246,535,384	201,523,428	45,011,956	(8.76)	



Appendix G Actual Capital Expenditure Versus Budget for the year ended 30 June 2007

SERVICE	Additions/Actual	Assets under construction	Total Additions	Budget	Variance	Variance	Explanation of Significant Variances (greater than 5%) versus Budget
	R	R	R	R	R	%	
Municipal Manager	8,129,338	11,034,546	19,163,884	48,500,000	29,336,116	60.49	Tender process i.r.o. ward projects started late in financial year
Emergency Management Services	5,502,124	8,004,453	13,506,577	13,700,000	193,423	1.41	
Corporate Services	36,324,211	26,761,393	63,085,604	67,000,000	3,914,396	5.84	Tender process started late in financial year
Economic Development	23,016,448	22,915,335	45,931,783	76,330,000	30,398,217	39.82	Work delayed by Environmental inputs and tender process
Finance	4,996,367		4,996,367	21,800,000	16,803,633	77.08	Large amount is provision for replacement of assets via Insurance claims.
Housing, Planning & Environmental Services	473,100,389	(236,509,403)	236,590,986	295,935,000	59,344,014	20.05	External funding limited by grants received from Province - claims need to be expedited; land purchasing delayed by price negotiations and legal process
Legal and Secretarial Services	0	549,986	549,986	5,000,000	4,450,014	89.00	Legal processes delays purchasing of land
Metro Police	10,886,868	14,105,701	24,992,569	28,320,000	3,327,431	11.75	Tender process started late in financial year
Social Development	133,002,874	(37,484,555)	95,518,319	107,629,000	12,110,681	11.25	Tender process started late in financial year
Service Delivery:	258,835,724	285,253,724	544,089,448	607,489,000	63,399,552	10.44	
Roads & Stormwater	117,626,272	116,565,633	234,191,905	293,345,000	59,153,095	20.17	Tender process delays, EIA approval delays, surety delays by contractors
Water and Sanitation	141,209,452	168,688,091	309,897,543	314,144,000	4,246,457	1.35	
Electricity	203,309,752	114,108,730	317,418,482	318,548,000	1,129,518	0.35	
Nett Expenditure	1,157,104,095	208,739,910	1,365,844,005	1,590,251,000	224,406,995	14.11	

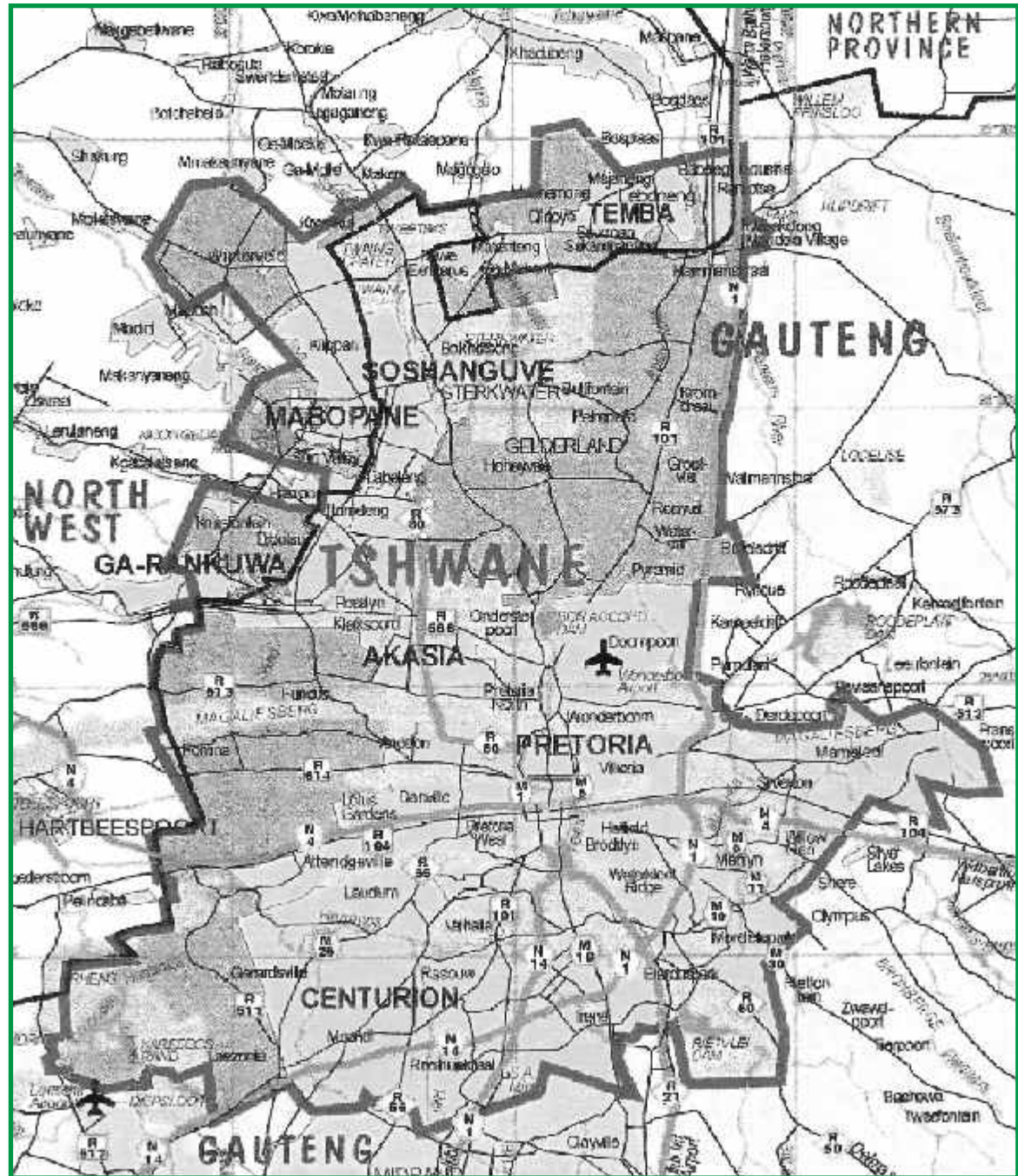
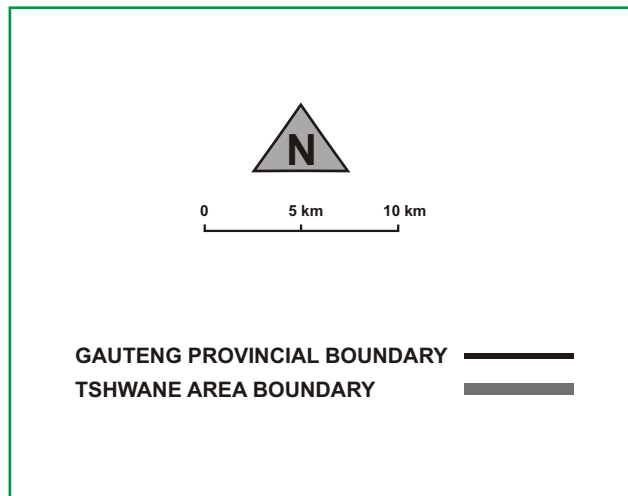


Appendix H Disclosures of Grants and subsidies in Terms of Section 123 of the MFMA (Act 56 of 2003) Grants and Subsidies received during the Financial Year ended 30 June 2007

Name of Grant	Name of Organ of state or municipal entity	Quarterly Receipts						Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/funds withholding of funds	Did your municipality comply with the grant conditions in terms of grant in the latest Division of Revenue Act	Reason for non compliance	
		Opening balance R	Sept R	Dec R	March R	June R	Total R							June R
Capital Grants:														
Rodeplaat Temba: Magalies Water	Magalies Water	0	0	0	0	8,040	8,040	8,040	0	None	None	Yes	n/a	
Rodeplaat Temba: DWAF	Department Water Affairs and Forestry	0	0	0	0	692,552	692,552	692,552	0	None	None	Yes	n/a	
Economic Development	Gauteng: Sport, Recreation	3,478,630	174,502		1,800,000	4,350,000	9,803,132	2,053,291	7,749,841	None	None	Yes	n/a	
National Electricity Fund	National Electricity Regulator	4,054,573					4,054,573	28,790	4,025,783	None	None	Yes	n/a	
Gauteng Project Linked Housing	Gauteng: Housing Department	0	24,621,000	8,835,000	11,610,102	42,448,170	87,514,272	65,400,571	22,113,701	None	None	Yes	n/a	
North West: Project Linked Housing	North West: Housing	3,873,808		13,141,964		5,810,288	22,826,060	20,903,610	1,922,450	None	None	Yes	n/a	
Municipal Infrastructure Grant (MIG)	Department: Provincial and Local Government	0	15,000,000	85,000,000	80,697,438	25,246,562	205,944,000	186,149,095	19,794,905	None	None	Yes	n/a	
Gautrans Job Creation	Gautrans	5,000,000					5,000,000	0	5,000,000	None	None	Yes	n/a	
Water & Sanitation	Department Water Affairs and Forestry	13,990,911				22,000,000	35,990,911	13,998,583	21,992,328	None	None	Yes	n/a	
Electricity for All	Department Mineral & Energy Affairs	0	6,250,000	7,000,000	15,350,000	0	28,600,000	28,600,000	0	None	None	Yes	n/a	
Transportation	Gauteng Department Transportation Engineering	1,500,000				1,500,000	3,000,000	0	3,000,000	None	None	Yes	n/a	
ESKOM	ESKOM				5,780,000		5,780,000	0	5,780,000	None	None	Yes	n/a	
World Cup Soccer 2010	Gauteng Department Transportation Engineering	13,150,000	11,000,000				24,150,000	0	24,150,000	None	None	Yes	n/a	
Unforseen water problems	Gauteng: Department of Public Works	8,022,068					8,022,068	700,000	7,322,068	None	None	Yes	n/a	
		53,069,990	57,045,502	113,976,964	115,237,540	102,055,612	441,385,608	318,534,532	122,851,076					
Operational grants/subsidies:														
HIV/AIDS	Department: Provincial & Local Government	5,443,600					5,443,600	5,443,600	0	None	None	Yes	n/a	
Transportation	Gauteng Department of Transportation	116,440					116,440	116,440	0	None	None	Yes	n/a	
Ambulance subsidy	Gauteng Department of Health	0	7,898,006	7,767,250	7,767,250	7,767,250	31,199,756	31,199,756	0	None	None	Yes	n/a	
Health subsidy	National Department of Health	0	3,080,000	5,900,000	7,075,000	2,000,000	18,055,000	16,055,000	2,000,000	None	None	Yes	n/a	
National Safety grant	National Department of Safety	0	399,925	18,793			418,718	418,718	0	None	None	Yes	n/a	
Top Structures: Project Linked Housing	North West Housing	5,008,806				34,005,716	39,014,522	39,014,522	0	R78,3 million	enrollment awaited	Yes	n/a	
Finance Management Grant	National Treasury	3,121,266	500,000				3,621,266	2,117,863	1,503,403	None	None	Yes	n/a	
Restructuring Grant	National Treasury	102,292,860		25,000,000			127,292,860	48,371,166	78,921,694	R50 million	performance	Yes	n/a	
Municipal System Improvement Grant	National Treasury	5,000,000					5,000,000	2,000,000	3,000,000	None	None	Yes	n/a	
Equitable share	Department: Provincial and Local Government	0	334,283,465	250,662,466	417,703,934		1,002,649,865	1,002,649,865	0	None	None	Yes	n/a	
Economic Development	Gauteng: Sport, Recreation	0		460,000			460,000	0	460,000	None	None	Yes	n/a	
Refurbishment of Temba Works	Department of Water Affairs and Forestry	0	0	8,641,400	5,576,800	445,750	14,663,950	14,264,950	399,000	None	None	Yes	n/a	
Housing Accreditation	Gauteng Housing Department	0					1,678,535	0	1,678,535	None	None	Yes	n/a	
Bottle Ke Botho	Environment	360,000					360,000	182,777	177,223	None	None	Yes	n/a	
Library	Gauteng Department: Library and Information	526,900		500,000		60,000	1,086,900	1,086,900	0	None	None	Yes	n/a	
Tourism	Gauteng Department of Tourism	400,000					400,000	400,000	0	None	None	Yes	n/a	
Environmental	Environment	460,000					460,000	460,000	0	None	None	Yes	n/a	
Motor vehicle licences refund	Gauteng Department of Transport	0	10,088,874	14,931,497	14,117,415	19,114,697	58,252,483	58,252,483	0	None	None	Yes	n/a	
Unforseen water problems	Gauteng: Department of Public Works	700,000					700,000	700,000	0	None	None	Yes	n/a	
Miscellaneous	Various	0			525,663		525,663	525,661	2	None	None	Yes	n/a	
		123,429,872	356,250,270	313,881,406	452,766,062	65,071,948	1,311,399,558	1,223,259,701	88,139,855					
Revenue per Statement of Financial Performance (see note 20)														
Unspent conditional grants per Statement of Financial Position (see note 7)														
								1,541,794,233						
									210,990,931					

THE CITY OF TSHWANE

METROPOLITAN MUNICIPALITY



General Information

Registered Office: Office of the Municipal Manager:	9th Floor Munitoria Van der Walt Street 0002 PRETORIA P O Box 440 0001 PRETORIA
Office of the Chief Financial Officer:	373 Pretorius Street 0002 PRETORIA P O Box 408 0001 PRETORIA
Auditors:	Auditor-General Cnr Veal Street and Middel Street Brooklyn 0002 PRETORIA
Bankers:	Standard Bank Van der Walt Street, PRETORIA
Legal form:	Local Authority/Metropolitan Municipality
Jurisdiction:	See map page 94
Operations and principle activities:	The City of Tshwane is a local authority and renders a municipal service to the community.
Legislation governing the municipality's operations:	Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) Housing Act, 1997 (Act 107 of 1997) Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Property Rates Act, 2004 (Act 6 of 2004) Division of Revenue Act, 2007 (Act 1 of 2007) Companies Act, 1973 (Act 61 of 1973) in the case of Municipal Entities
Controlling entity:	City of Tshwane



